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FINANCIAL TIMES

Leica Camera
Counting on snob appeal
Page 16

Unilever and Nestlé
Can elephants be made to dance?
Page 27

Hilton
One brand, two products
Page 12

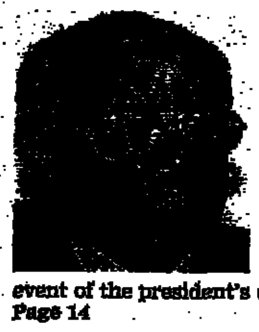
Hurricanes
Storm track now more predictable
Environment, Page 10

World Business Newspaper http://www.FT.com WEDNESDAY SEPTEMBER 11 1996

Renault profits plunge as price war intensifies

French carmaker Renault said it expected to suffer a loss this year, as it reported a more than 90 per cent decline in half yearly profits to FFr158m ($31.2m). It blamed the result on an intensification of the price war in some European car markets and a turn for the worse in commercial vehicles, a sector which returned good profits last year. Page 15

Yeltsin keeps the nuclear button:



Russian president Boris Yeltsin will hand control of key ministries to prime minister Viktor Chernomyrdin (left) while he undergoes heart surgery, but will keep control of the nuclear "red button". Under the constitution, the prime minister would take over as interim president in the event of the president's death or incapacity. Page 14

Kurds return home: Kurdish refugees began returning to their homes as fighting between rival factions in northern Iraq subsided, easing fears of an international refugee crisis. An estimated 10,000 had fled eastwards at the weekend. Page 4

Bonn may soften Emu stance: A member of the Bundesbank's central council signalled a potential softening of Germany's position on the single European currency, insisting that the European Union would have to adopt a flexible interpretation of the Maastricht criteria. Page 2

UK unions back single currency: Britain's trade unions backed UK membership of any future European monetary union. Page 9

Anti-copying device for video discs: Franco-Italian semi-conductor maker SGS-Thomson Microelectronics said it had developed an anti-copying device for use in digital video disc players. Page 15; Lex, Page 14

Police probed in Belgian scandal: Investigators probing Belgium's scandal of child kidnapping, sexual abuse and murder questioned eight members of the judicial police and three gendarmes after a dawn raids. Page 2

US cuts Chinese textile imports: Washington cut Chinese textile and clothing import quotas after customs checks uncovered widespread fraud in the shipment of Chinese-made clothing to the US. Page 14

Currency operation shifts to Spain: Lauricon, a German-registered company offering a high-risk currency scheme to private investors throughout Europe, has closed its trading operation in Hamburg and moved the enterprise to Barcelona. Page 2

$106m investment for Ulster: US computer electronics company Seagate Technology announced a £68m ($106m) investment in Northern Ireland which will create 759 jobs over two years. Page 9

Telefónica poised for purchase: Telefónica, Spain's partially privatised telecoms operator, is poised to acquire outright ownership of Telefónica Internacional, its profitable international unit. Page 15

Germany sees bigger Balkans role: International peacekeeping troops should remain in former Yugoslavia until late next year and could have a German chief-of-staff, German defence minister Volker Rühe said. Page 2

Tan takes control of PAL: Chinese-Filipino businessman Lucio Tan took formal control of Philippine Airlines as shareholders voted to double the carrier's authorised capital to 10bn pesos ($382m). Page 15; Observer, Page 13

Greek PM faces tough poll battle: Greek prime minister Costas Simitis faces unexpectedly tough opposition in his attempt to lead the Panhellenic Socialist Movement back to power in a general election on September 22. Page 2

Rise in Japan's machinery orders: Machinery orders in Japan rose in July by a seasonally adjusted 13.6 per cent from the previous month after two months of decline, the Economic Planning Agency said. Page 5

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,708.42	(-24.42)
NASDAQ Composite	1,147.14	(-1.57)
Europe and Far East		
CAC40	2,042.12	(+21.82)
DAX	2,570.98	(+22.22)
FT-SE 100	3,916.1	(+5.3)
Nikkei	20,[illegible]	(+357.32)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.290%
Long Bond	96½
Yield	7.123%

OTHER RATES

UK: 3-mth Interbank	5¾%	(same)
UK: 10 yr Gilt	97½	(same)
France: 10 yr OAT	106.19	(106.15)
Germany: 10 yr Bund	98.37	(98.39)
Japan: 10 yr JGB	100.4531	(100.499)

NORTH SEA OIL (Argus)

Brent Dated	$22.88	(22.25)

GOLD

New York Comex		
(Dec)	$388.5	(387.2)
London:		
close	$383.45	(383.55)

DOLLAR

New York: lunchtime		
£	1.5580	
DM	1.5105	
FFr	5.1625	
SFr	1.23475	
Y	109.75	
London:		
£	1.5567	(1.56)
DM	1.508	(1.4918)
FFr	5.1445	(5.0939)
SFr	1.2332	(1.2164)
Y	109.595	(109.1)
Tokyo close:	Y 109.276	

STERLING

DM	2.3474	(2.3271)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lit 10.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR15
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm1.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.20	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.70	Switz	SFr3.70
Estonia	EKr 28	Japan	Y600	Pakistan	Rs50	Syria	S£80.00
Finland	FM16.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (in'land)	Esc325	Turkey	L120,000
Germany	DM4.00	Lebanon	LL6500			UAE	Dh15.00

Swiss face pressure over $4bn Nazi gold

Britain says banks may hold 90% of war hoard

By James Blitz in London and William Hall in Zurich

Swiss banks were last night under mounting pressure to reveal the origins and status of gold reserves acquired during the second world war after the UK government said Switzerland held $500m of "Nazi gold" at the end of hostilities.

Amid claims that much of the German gold shipped to Switzerland had been plundered by the Nazis, the British Foreign Office said nearly 90 per cent of the hoard – now worth about $4bn – could still be held by Swiss banks.

In a survey into the fate of Germany's gold reserves, based on UK government archives, the Foreign Office said the Swiss authorities had resisted calls by the Allies to redistribute Germany's gold reserves in 1945.

Instead, the Foreign Office said Switzerland – neutral throughout the war – handed over only $60m worth of German gold to the US and UK in 1946. Some of the transferred gold is still held at the Bank of England.

Yesterday's report was published after pressure from British MPs for the government to respond to information on Nazi gold dealings discovered recently in US archives.

Mr Malcolm Rifkind, UK foreign secretary, will next week raise the issue with the Swiss government on a visit to Geneva.

He is expected to speak of the mounting concern in the UK that Nazi gold has not been returned to the families of Jews and other groups who perished in the Holocaust.

Mr Greville Janner, the Labour MP who originally asked Mr Rifkind to conduct the inquiry, called on the Swiss authorities to publish details of gold reserves it had received from the Reichsbank.

"Rivers of gold flowed out of Nazi Germany," Mr Janner said. "Its banks were in Switzerland."

The Swiss foreign ministry was quick to counter the UK's claims, insisting it was "very difficult" to say whether the allegations were accurate. The ministry said the matter had been investigated at the time of the 1946 agreement between the Allies and Switzerland.

Nevertheless, the Swiss government has become concerned about the adverse publicity generated by material from foreign archives concerning its financial involvement with the Nazis.

Following pressure from Jewish organisations, it agreed in May to pass legislation for a legal and historic investigation into the fate of assets deposited by Jews in Switzerland between 1933 and 1945. The scope of the legislation has been widened to cover looted assets deposited with Swiss financial institutions.

The UK Foreign Office's report shows how, at the end of the war, the government and the Bank of England estimated that at least $550m of gold – now worth about $4.5bn – had been looted by the Germans between 1938 and 1945.

Much of the gold had been taken from the 6m Jews killed by the Nazis. They also confiscated large quantities from the central banks of occupied countries, using it to help the German war effort.

The Foreign Office says that, at the end of the war, the Swiss authorities insisted that they had never knowingly received looted gold. The UK and US found it difficult to counter the claim because the Nazis had melted down the gold and marked with the Reichsbank stamp.

However, a senior figure in the Swiss national bank unwittingly "let slip" during the negotiations that Swiss banks were in possession of $500m of German gold.

Editorial Comment........Page 13

Germany raises growth forecast

The German government yesterday upgraded its forecast of economic growth. Finance minister Theo Waigel (above), presenting his draft budget to parliament, said 1 per cent real growth was now likely this year but called for financial austerity in 1997. Details, Page 14 AP

Beijing warns Tokyo over disputed islands

By Tony Walker in Beijing, William Dawkins in Tokyo and Laura Tyson in Taipei

China warned Japan yesterday that relations between the two countries would suffer serious damage if Tokyo did not stop Japanese rightwingers setting foot on the disputed Diaoyu islands off its east coast.

Sino-Japanese relations cooled after rightwingers sought to reinforce Japan's claims by building and repairing a lighthouse and a war memorial on the uninhabited islands, which are under Japanese control but are claimed by China, Taiwan and Japan.

The dispute yesterday caused the postponement of a proposed visit to Japan next month by Mr Li Lanqing, the Chinese vice-premier, and has also unleashed anti-Japanese feelings in Hong Kong and Taiwan.

"The Japanese government must take action to stop these activities [and] must not let rightwingers set foot on these islands," said Mr Shen Guofang, the Chinese foreign ministry spokesman.

The Japanese government yesterday moved to calm the diplomatic turbulence. Mr Yukihiko Ikeda, foreign minister, said differences over ownership of the islands – known in Japan as the Senkakus – must not stand in the way of relations between Tokyo and Beijing.

"We know China takes a different position from ours. We believe we should try to maintain and promote friendly relations between Japan and China despite the differences," he said.

Taiwanese legislators yesterday called on the government to back up its claim to sovereignty over the disputed islands, by force if necessary. There were angry protests against Japan's action in mobilising patrol boats to repel private Taiwanese vessels which had sought to reach the islands.

But Mr John Chang, Taiwan's foreign minister, stressed the matter should be handled "rationally and calmly". Though the interests of Taiwan and Beijing coincide in the dispute, Mr Chang ruled

Continued on Page 14
Lighthouse's dark side, Page 5

Ford fears losses in Latin America will grow

By Richard Waters in New York

Ford, the US's second biggest vehicle maker, warned yesterday that its losses in South America would grow in the second half of this year.

The group's attempt to become a significant force in Brazil and Argentina has been dealt a blow by high start-up costs and a change in car-buying habits.

Ford also sounded a cautious note about the outlook for sales of cars and light trucks in the US, prompting a wave of concern on Wall Street about the prospects for the country's three big car manufacturers over the coming months.

With the stock market already rattled by the prospect of a sharp slowdown in US corporate earnings growth in the second half of this year, Ford's caution prompted a slump in the shares of the big carmakers. By lunchtime in New York, Ford had recovered from an early 4 per cent drop to trade at $31⅝, a fall of $⅝. General Motors was down $⅜ at $47½, while Chrysler was off $⅝ at $28⅝.

The carmakers' shares had already sagged in recent weeks as evidence emerged of a sharper-than-usual slowdown in new vehicle sales in the US in the traditionally soft summer months.

Ford's traumas in South America follow the dissolution at the end of last year of AutoLatina, a joint venture launched a decade ago with Germany's Volkswagen.

The companies' decision to go their separate ways left Ford with a severely weakened presence particularly in Brazil, the largest new car market in South America.

Yesterday, Ford warned its losses in South America during the second half of the year would top the $129m incurred in the first six months – a considerable deterioration from the break-even position it had expected.

Becoming a force in the

Continued on Page 14
Ford decides, Page 7

French company law report calls for radical reforms

By Andrew Jack in Paris

French magistrates should lose some of their powers to pursue investigations into corporate corruption, a French parliamentary report sponsored by the government said yesterday.

The report calls for changes in the definition of the crime of *abus de biens sociaux* – misuse of corporate property – an accusation central to many of the corruption probes which have resulted in 23 captains of French industry and finance being placed under investigation in three years.

It also calls for legislative changes in corporate governance, including a demand that French company chairmen should have no more than four outside directorships.

The report is likely to lead to legislative changes, as it comes from a committee set up by Mr Alain Juppé, prime minister, charged with drafting proposals for the first overhaul of company law since 1966.

The committee was chaired by Mr Philippe Marini, deputy chairman of the Senate finance commission. His 150-page report contains dozens of recommendations, but the proposals to change the law on *abus* are likely to prove the most controversial.

Magistrates say the *abus* charge is a convenient way of opening investigations which sometimes result in prosecutions on more specific charges, particularly long and complex fraud investigations.

Mr Marini called for the decriminalisation of a number of charges which can be brought under the offence – for example, negligence should be more tightly defined. The charge would be used in future largely in cases of fraud and personal enrichment.

Abus de biens sociaux carries a maximum five-year prison sentence and a FFr2.5m ($490m) fine. Many executives facing corruption allegations have been formally charged with the offence, including Mr Pierre Suard, former chairman of Alcatel Alsthom.

Previous proposals to modify the legislation have met with enormous opposition. Socialist politicians oppose any change they say would let executives escape too easily.

Among Mr Marini's other recommendations was the recognition for the first time in French law of board sub-committees with delegated powers, and the sharing of responsibility between the chairman and the chief executive of a company. He also said pension funds should be forced to exercise their voting rights.

The Patronat, the French employers' federation, said it was "very satisfied" with yesterday's report, which largely reflected the conclusions of its own committee set up to examine changes to company law.

Sigh of relief, Page 2
Lex, Page 14

CONTENTS

News	Weather 14	Arts 11	Markets	Managed Funds 25-27
European News 2,3	Lex 14	Int Arts Guide 11	Commodities 24	Money Markets 23
International News 4	Features	Crossword 24	FT-SE Actuaries 30	Recent Issues 34
Asia-Pacific News 5	Leader Page 13	Companies & Finance	FT/S&P-A Wld Indices 34	Share Information 28,29
American News 6	Letters 12	UK 20,21	Foreign Exchanges 23	London SE 30
World Trade News 7	Observer 13	International 17-19	Gold Markets 24	Wall Street 31-34
UK News 9	Environment 10	Intl. Cap Mkts 22	Int. Bond Service 23	Bourses 31,34

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Germany is urged to soften stance over Maastricht single currency criteria

Bundesbank member sees flexible Emu

By Wolfgang Münchau in Frankfurt

A member of the Bundesbank's central council has urged a softening of the German position on the single European currency, insisting that the EU will be forced to adopt a flexible *interpretation on the Maastricht criteria*.

Mr Ernst Welteke, president of the state central bank of Hesse, said the German public was being misled into believing that the government could prevail with a strict interpretation of the criteria, when EU leaders decide the issue in 1998.

His comments signal a shift in thinking among some German officials at a time when it is apparent that several countries, including France and Germany itself, could struggle to meet the Maastricht net deficit ceiling of 3 per cent of gross domestic product.

Mr Welteke's comments are also an explicit acknowledgement that Germany's position on the single currency may be in conflict with the Maastricht treaty, which allows for a greater degree of flexibility, especially on the debt criteria, than German officials are ready to acknowledge.

Speaking to a group of international bankers, Mr Welteke said the 3 per cent deficit and 60 per cent debt ceilings were not absolute criteria which had to be implemented immediately, but "reference values for the ongoing supervision of national budgets by the EU Commission".

He said "the margin for manoeuvre for the decision is significantly greater than is normally admitted". He said that to "insist the criteria of 3 per cent [for deficits] and 60 per cent [for total debt] must be met strictly could ultimately lead to public irritation if a candidate was allowed to take part [in the single currency], even it failed to meet the 60 per cent mark." He cited Belgium as an example.

He warned that a more flexible interpretation should not give rise to reckless abuse of the criteria.

The comments are an implicit criticism of the government's and the Bundesbank's official position. Chancellor Helmut Kohl has reiterated the government's hardline stance in a series of interviews during the summer. Mr Theo Waigel, finance minister, has been the most vociferous proponent of the German position, designed to overcome continued reservations by a sceptical German public.

Mr Welteke said that EU monetary integration had proceeded well and represented no hindrance for the single currency. "From a monetary point fo view, the conditions are very good. The rates of inflation as well as the rates for long-term interest have converged considerably."

Germany, France and the three Benelux states made up "the core of potential participants," he said.

Kohl in parliament yesterday: hard public line on Emu criteria Reuter

High-risk currency operation shifts to Spain

By Clay Harris

Laurion, a German-registered company offering a high-risk currency scheme to private investors throughout Europe, has closed its trading operation in Hamburg, giving staff 24 hours' notice, and moved the entire enterprise to Barcelona.

The exodus, which took place on August 30, came within hours of a police raid in Copenhagen on Nordex Denmark, a related company offering similar investments. It concentrates Laurion's trading operations in Spain, which last week admitted it had a "legal gap" in regulating such activities.

In Barcelona yesterday, Laurion said: "Management is in a meeting". Calls over eight hours were not returned. At Laurion's Hamburg office, an unidentified man who answered a call rang off when asked a question by the Financial Times.

According to former sales agents for Laurion, Hamburg-based staff were called together on August 29 and told to pack and not to mention the move to anyone.

The next night, nearly 30 Laurion staff flew via Frankfurt to Barcelona, where they were told to resume their sales activities last week, even before completing the necessary employment registration with Spanish authorities.

Laurion had set up the Barcelona office earlier this year and had been directing most of new "leads" for prospective customers there for more than a month.

The former agents, who had worked for Laurion in Hamburg for several months, said they learned of the raid on Nordex only by reading an FT report the morning after they arrived in Barcelona. They returned to Britain last week because of concerns about the company's activities.

Laurion, like Nordex and other companies still operating in the UK, Denmark, Spain and other countries, invite investors to risk 20 to 50 times their initial deposit on "rolling spot" foreign exchange trades. Police and regulators say many investors have reported losing their money, suspecting that their accounts had been "churned" to increase commissions.

The former salesmen, who asked not to be identified, said they had been assured by managers that Laurion's activities were within the law of countries in which it operated.

The former sales agents said, that Laurion customers, once recruited, were assigned to client managers, known internally as "loaders". Their role was to persuade customers over time to increase their financial commitment.

Few of the employees, including traders, had foreign exchange experience. Most had been recruited from a variety of sales backgrounds. "If we had been in England, we wouldn't get a look-in, because of the licences," one of the agents said.

With unfavourable publicity growing in Europe about foreign exchange schemes, Laurion was now turning its attention to fresh markets. Most of the new "leads" were individuals in Latin America and Asia, although Laurion recently lifted a ban on approaching prospective clients in Germany.

Prime minister 'turns down resignation' in spite of allegations of corruption

Spain's defence minister offers to quit

By Tom Burns in Madrid

The defence minister in Spain's new centre-right government said yesterday he had offered to resign after a spate of corruption allegations reminiscent of the scandals that undermined the previous Socialist administration.

The allegations linked Mr Eduardo Serra, who was a junior defence minister in the early 1980s under the Socialists, to Mr Luis Roldán, the disgraced former head of the Civil Guard police force now in prison awaiting trial on embezzlement charges.

Mr Serra, who is not a member of the ruling Popular party, was a surprise inclusion in Prime Minister José María Aznar's cabinet and was appointed to the defence job, according to the Madrid press, at the request of King Juan Carlos.

The minister said yesterday that Mr Aznar had turned down his offer to resign but at least one Popular party MP publicly called on him to step down. The corruption allegations were published by the Madrid newspaper El Mundo, which investigated corruption under the Socialist government. They have cast a shadow over the "clean hands" administration promised by the prime minister after he took office last May.

Mr Serra admitted yesterday that "it was possible" that, during his time in the previous government, he had asked Mr Roldán to employ his brother-in-law, a practising architect, to renovate police barracks. Earlier he had denied reports that, as chairman of a construction company after he left office, he had bribed Mr Roldán to obtain building contracts for the company from the Civil Guard.

Mr Serra said he had never had any professional dealings with Mr Roldán and that when he became chief executive of Cubiertas y Mzov, one of Spain's leading construction groups, he halted corrupt payments made by the company. El Mundo reported yesterday that judges investigating Mr Roldán had established that payments by Cubiertas to a secret account managed by the former Civil Guard chief continued after Mr Serra joined the company.

The defence minister has also been under fire in the press in recent weeks because he is blamed for a controversial government decision to classify documents requested by judges investigating the alleged involvement of the former Socialist government in a "dirty war" against Basque separatists during the early 1980s that claimed 27 victims.

Deadline on Iri debt cut to be extended

By Andrew Hill in Milan

Mr Karel Van Miert, EU competition commissioner, said yesterday he would propose a limited extension of the deadline for reducing debt at Iri, the Italian state holding company.

After meeting Mr Carlo Azeglio Ciampi, Italy's treasury and budget minister, yesterday, Mr Van Miert said the deadline of end-1996 could be extended, on the strength of commitments by the government and Iri to sell its majority stakes in Stet, the telecoms holding company, and Autostrade, which runs much of the Italian motorway network, next year.

"I was really struck by the determination of the minister; I'm extremely satisfied," said Mr Van Miert, who also met Mr Romano Prodi, the Italian prime minister, and other ministers on a visit to Rome.

Iri, which is owned by the treasury, must reduce its net financial debt to L5,000bn ($3.3bn) by the end of the year, according to the terms of a state aid agreement reached in 1993 by Mr Van Miert and Mr Beniamino Andreatta, then Italian foreign minister.

But delays in privatisation, partly caused by political uncertainty, have left Iri in a difficult financial situation. The group had L25,000bn of gross debt and L15,000bn of net debt at the end of last year, a figure which will be only slightly reduced by the proceeds of disposals in 1996.

Last month, the government unveiled plans to sell shares in Stet, which is already listed in Milan and New York, between February 1 and March 31 next year, after first hiving off Seat, the yellow pages and publishing division and other non-core companies to raise more money.

The Andreatta-Van Miert accord allows for a delay in the deadline of at least 12 months but Mr Van Miert said he would advise the Commission to fix the new deadline "at the shortest limit possible". The delay, if approved by the full Commission, will give Iri a vital breathing space.

Sigh of relief from French companies

By Andrew Jack in Paris

French companies breathed a sigh of relief yesterday when a parliamentary report on reforming company law held back from demanding significant legal obligations on corporate governance.

Companies were worried when Mr Alain Juppé, the French prime minister, set up a parliamentary committee earlier this year to examine changes to company law at a time of growing pressure from shareholders for better management and respect for their rights.

But the long-awaited 150-page report by Mr Philippe Marini, deputy chairman of the Senate finance commission, takes a shrewdly cautious line on the subject.

He criticises the widespread French practice of "reciprocal directorships", with directors of companies sitting on each others' boards, in a move which could threaten their independence. However, he acknowledges this is partly a reflection of the traditionally under-developed French equity markets, which has meant in the absence of pension funds, companies have often had to buy "cross-shareholdings" in each other, inevitably leading to executives sitting on the boards of those groups in which they have invested.

More controversially, he argues the number of board directorships held by a chairman should be limited to five in total, less than the six recommended in the earlier report by Mr Marc Viénot, chairman of the bank Société Générale, and something that would affect many French executives, including Mr Viénot himself.

He also argues the maximum proportion of employee representatives on boards should be increased from one-third to one-half of the total. But he steers clear of arguing the law should stipulate a fixed proportion.

Reflecting, pension fund votes, Senator Marini argues for separation of chairman and chief executive roles. Reflecting the responsibility of share ownership, he calls for pension funds which invest in companies in France to exercise their voting rights.

Senator Marini also argues for the recognition for the first time in French law of separate responsibilities of the chairman and of the chief executive, and recognition of boards' authority to delegate decision making to sub-committees.

A second aspect of the Marini report, which will be more welcome to business executives but will prove more politically controversial, is his recommendation to narrow the definition of "abus de biens sociaux" or misuse of corporate funds, a catch-all charge used by magistrates as a weapon to open formal corporate corruption inquiries.

He argues that smaller and medium-sized French businesses suffer from a lack of capital and urged that profits reinvested in businesses be exempted from tax, which should only be levied on money distributed to shareholders.

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Greek PM faces uphill battle in poll to retain grip on power

By Kerin Hope in Athens

Mr Costas Simitis, Greece's energetic but uncharismatic prime minister, faces unexpectedly tough opposition in his attempt to lead the Panhellenic Socialist Movement (Pasok) back to power in a general election on September 22.

Opinion polls published this week showed Pasok running neck-and-neck with the conservative New Democracy party. The polls also indicated that the Socialists would lose votes to two small leftwing parties, Synaspismos and the Democratic Renewal Movement (Dikki), founded earlier this year by defectors from Pasok.

Mr Simitis's decision last month to call a snap election was welcomed by his party. Economic recovery, which has brought strong wage growth this year, together with the premier's high personal approval rating, would sweep the Socialists back with a comfortable majority, Pasok officials hoped.

A fresh mandate would enable Mr Simitis to tighten economic policy and boost Greece's chances of joining the proposed single European currency at the end of the decade. It would also allow Mr Simitis to pursue better relations with Turkey and Greece's Balkan neighbours in defiance of nationalist feeling that cuts across party boundaries.

However, a strong showing by Mr Miltiades Evert, the ebullient New Democracy leader, who spent his summer holiday campaigning unofficially on the Aegean islands, has shattered Pasok's complacency.

Mr Evert has pledged to roll back the Socialists' unpopular tax reforms, requiring farmers to submit income declarations for the first time and attempt to reduce tax evasion by taxing the self-employed on the basis of presumed rather than declared income.

Mr Evert yesterday took his populist campaign a step further, promising to restore tax breaks and welfare subsidies for Greek families with more than two children "because we have to increase the birth-rate to reverse a decline in Greece's population".

Mr Simitis is working his way methodically around Greece, but his speeches are dull compared with those of his predecessor, the late Andreas Papandreou. He is still more popular than Mr Evert, but his message of fiscal discipline, including measures to curb tax evasion and trim the overstaffed public sector, inspires little enthusiasm.

Hardline Socialists are rallying behind Mr Dimitris Tsovolas, the Dikki leader, a former Socialist finance minister convicted in 1992 on breach of trust charges in a bank embezzlement scandal.

EUROPEAN NEWS DIGEST

Belgian king urges reform

King Albert II yesterday added his voice to calls for a radical reform of Belgium's justice system following charges of incompetence and corruption in the handling of investigations into a child sex ring and the murder of a former deputy prime minister.

The king's statement came as 11 police officers in the southern city of Charleroi were detained and questioned in connection with a car theft ring uncovered during investigations of the three-week old paedophile murder case that has shocked Belgium. They were later released.

It also came only a day after Mr Jean-Luc Dehaene, the prime minister, promised an "investigation into the investigation" of the 1991 murder of a former deputy prime minister, Mr André Cools. Five men were charged with the murder at the weekend, several of whom had been previously arrested and released, prompting charges of a incompetence or a cover-up by police.

The king's statement was issued after he met Mr Stefaan de Clerck, the justice minister, and called for "profound reflection" on how to make the justice system more efficient.

"It must also put in place a system of internal and external controls, and more adequate training to improve the judiciary's capacity to deal with the changing nature of crime," the statement said. *Neil Buckley, Brussels*

Chechens form congress

Representatives of more than 20 political and public groups met in Grozny, the Chechen capital, yesterday to work out a power set-up in the region.

The congress was chaired by Mr Aslan Maskhadov, the Chechen separatist chief-of-staff, who signed a peace agreement with General Alexander Lebed, the Russian envoy, on August 31. It adopted a resolution approving the peace plan and proposals to create a coalition government. Members of the pro-Moscow Chechen administration of Mr Doku Zavgayev said they had not been invited to the meeting.

Mr Maskhadov told delegates there had been no victors in the conflict with Moscow which began 21 months ago. He praised Gen Lebed, who has been accused by critics in Moscow of signing a deal which amounts to Russia's capitulation. *Reuter, Moscow*

Bonn sees bigger forces role

International peacekeeping troops should remain in former Yugoslavia until October 1997 and could have a German chief-of-staff, Mr Volker Rühe, defence minister, said in an interview published yesterday.

Mr Rühe's remarks to the daily Frankfurter Allgemeine Zeitung were the latest sign he wants Germany to be a full partner in multinational missions after decades of avoiding military involvement abroad.

He said it was possible a German officer would head the commander's staff in the renewed Bosnia mission by the Nato-led peace Implementation Force (Ifor) after the current mandate expires at the end of this year. The chief-of-staff ranks after the mission commander and deputy commander in seniority.

Mr Rühe, who has spoken several times about extending an Ifor mandate, ruled out a stay of more than another year. *Reuter, Bonn*

Germany warns BSkyB

Germany's federal cartel office has warned that it may advise the European Commission to prevent BSkyB, the British satellite television company, from taking a 25 per cent stake in Premiere, a German pay-TV network.

The cartel office said it viewed developments at Premiere, which is owned by Canal Plus of France and Bertelsmann and Kirch Group of Germany, as critical. "If BSkyB took a stake you would have all the big European companies operating together," a spokesman said. The office is particularly worried that Premiere would hold a monopoly over popular film and sports programming. This year Kirch and Bertelsmann have vied with each other to buy rights to Hollywood programmes.

The involvement of BSkyB in Premiere has yet to be formally decided. *Frederick Stüdemann, Berlin*

Bavarian beer loses head

Beer consumption and production in Bavaria is falling, breweries are closing and the price of beer is expected to go up by the end of the year, Mr Georg Schneider, Bavarian brewers' federation president, said yesterday. He estimated current production over-capacity at 20-30 per cent. *AFP, Munich*

UK, Belgium lose TV case

The European Court of Justice yesterday ruled that Britain and Belgium had broken EU rules on television broadcasting by imposing restrictions on the transmission of programmes from other EU countries.

The two countries were found to have violated the EU's "television without frontiers" directive, which states that national governments cannot put up barriers to broadcasts that comply with another EU country's laws.

The court ruled against Britain's demand that broadcasters transmitting material by satellite from the UK had to be licensed in Britain, and in favour of the European Commission which had argued that broadcasters should be regulated in the state where they had headquarters. It also ruled Belgium's regional governments were wrong to demand cable distributors seek prior authorisation to transmit programmes from other EU countries. *Caroline Southey, Brussels*

Bomb photos lawsuit rejected

A French court yesterday threw out a lawsuit by metro bombing victims who sought damages from five French publications which ran pictures of them bloodied and stunned from the blast.

The court ruled the suit was "incompatible" with the European Convention for the Safeguarding of Human Rights, which guarantees freedom of information and expression.

The photographs were taken in July last year when victims stumbled or were carried out of the Saint Michel metro station in Paris after a bomb killed eight people and injuring nearly 100.

The pictures were published in Paris-Match, the French magazine, France-Soir, the tabloid daily and by three photo agencies – Sygma, Sipa and Orop. The suit contended the publications violated a French law that calls for FFr25,000 ($5,000) in fines for running photos of the "circumstances of a crime". *AP, Paris*

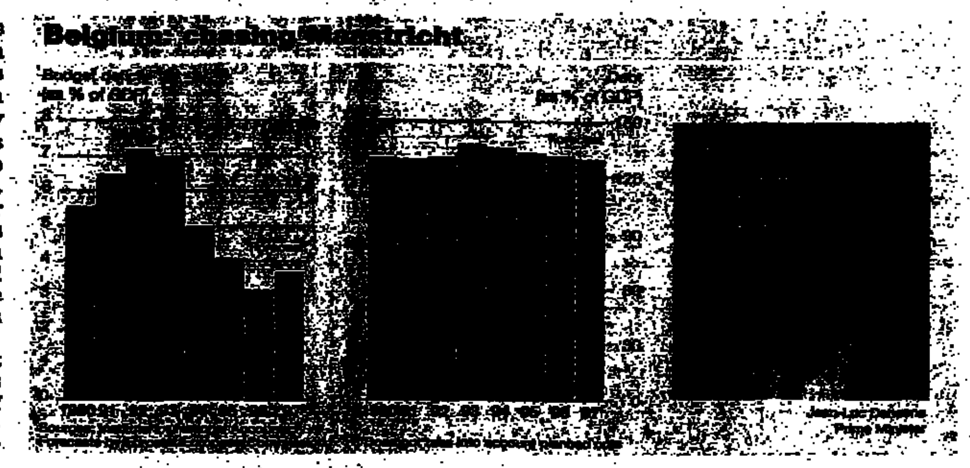
Asylum seekers' influx slows

Measures by western European governments to curb the influx of asylum-seekers are having the required effect, according to statistics compiled by the United Nations' Economic Commission for Europe. Since the peak year in 1992, the number of applications for refugee status has declined from almost 700,000 annually to about 290,000 in 1995.

The ECE's latest International Migration Bulletin also shows that, in net terms, 500,000 legal migrants are entering western Europe each year, most of them going to Germany. Germany had over 1m immigrants in 1995 but there was also an exodus of about 674,000 people, giving net immigration of 400,000. In 1994 about half net German immigration of 329,000 was accounted for by ethnic Germans from the former Soviet Union and elsewhere in eastern Europe. *Frances Williams, Geneva*

Belgian fixer set on joining euro club

Dehaene has won special powers to try to make sure his country meets Emu criteria



Governments across the European Union face bruising battles with their parliaments in coming months as they attempt to set 1997 budgets which meet the convergence criteria for monetary union. But the Belgian premier, Mr Jean-Luc Dehaene, has found a way to avoid such battles: he has won special powers to legislate on the budget by decree and bypass parliament altogether.

The Christian Socialist prime minister pushed his temporary suspension of democracy through parliament before the summer recess, arguing that qualifying for monetary union is critical to Belgium's future.

To guarantee its place in the euro club, Belgium must find painful extra savings – on top of measures already taken in a three-year austerity programme – to cut its budget deficit to 3 per cent of gross domestic product next year.

For the next four weeks, Mr Dehaene will be closeted with ministers in an extraordinary "summit" searching for savings of about BFr80bn-BFr90bn ($2.6bn-$2.9bn). The budget will go before parliament for rubber-stamping when it reconvenes on October 1. His special powers should thus allow the budget to be adopted early, and avoid potentially unpopular measures being blocked or watered down in horse-trading with parliament.

Belgium's parliamentary process is unusually tortuous, involving 11 parties representing not just conflicting political views but the regional interests of the French-speaking Walloon and Dutch-speaking Flemish communities.

Merely to carry the other members of Mr Dehaene's four-party, centre-left coalition government with him, will require all the deal-making skills of the man Belgians call "the fixer".

Spending cuts this year have already provoked sporadic strikes and demonstrations, and the government is anxious to avoid the mass unrest sparked by spending cuts in France last winter. Moreover, Mr Dehaene's call for special powers normally reserved for emergencies has disturbed some analysts.

"Mr Dehaene has created a somewhat Machiavellian environment," says a Belgian economist. "It is bad for democracy – even if it is good for Mr Dehaene."

Belgium has compelling reasons for wanting to be among the first countries to convert to the euro. France, Germany and the Netherlands – all aspiring members – account for more than half its exports, while Luxembourg, with which Belgium has a 75-year-old economic union, seems sure to qualify.

"It would be very difficult indeed to be outside a single currency if our neighbours, our biggest trading partners, were inside," says Mr Philippe Maystadt, finance minister.

Belgium's problem is that it easily meets three out of five convergence criteria – on inflation, interest rates, and exchange rates – but fails on budget deficit and debt.

Reducing debt from last year's 133.8 per cent of GDP – the highest ratio in the EU – to the Maastricht target of 60 per cent by next year is impossible. The best Belgium can hope for is to demonstrate to its EU partners that debt is on a firm downward trend.

That leaves the deficit: 4.1 per cent last year. Mr Dehaene hoped to hit 3 per cent this year to strengthen Belgium's case for Emu membership, but disappointing growth means the budget will overshoot. Hence the importance of getting to 3 per cent next year.

The "framework laws" entitling Mr Dehaene to legislate by decree in three areas are all directed at that goal. The first gives him free rein in budgetary matters until next August. The second – valid until April – covers the long-overdue reform of the social security system, vital to cut public spending and employers' crippling social contributions.

A final, indefinite, law empowers the government to limit annual wage settlements between unions and employers to no more than the forecast average increase in France, Germany and the Netherlands.

With GDP growth forecast at about 2 per cent next year – almost twice the rate now expected for 1996 – economists believe the government will aim to make BFr80bn-BFr90bn savings, plus a "safety margin" of about BFr20bn. Officials suggest the bulk can come from spending cuts – with up to half resulting from social security reform – and from improved revenue collection. But they admit some tax increases may be necessary.

Achieving the correct balance between the two will be politically tricky: tax rises have a greater impact on the higher-earning Flemish region, while social spending cuts hit the more welfare-dependent Wallonia. The biggest danger, as in France and Germany, is that austerity measures risk damaging consumer spending and the fragile economic recovery.

Few details have so far been revealed of the budget plans for what Mr Dehaene calls the "year of truth". Most observers, however, have faith in "the fixer" to meet the Maastricht goal.

"We have the feeling the game will be won," says Mr Geert Noels, economist at Petercam, a Brussels broking house. "It's just that we don't know who exactly the players will be and how they will play."

Neil Buckley

Luxembourg faces action on 'pirate' CDs

By Alice Rawsthorn in London and Neil Buckley in Brussels

The international music industry is calling on the European Commission to force Luxembourg to close legal loopholes which have turned the Grand Duchy into a conduit for millions of illegal "pirate" CDs.

The International Federation of the Phonographic Industry, the body that represents global music industry, has asked the Commission to take legal action against Luxembourg for allegedly failing to implement international copyright legislation.

Describing Luxembourg as the "last safe haven" for music pirates in the EU, the federation maintains that between 1m and 2m unauthorised CDs are imported there each year.

Once they have penetrated the customs-free single European market, they can be exported freely across the EU. Most of the CDs are manufactured in Israel, the Czech Republic or east Asia.

In theory this represents the loss of $500m (£320m) in sales to the legitimate music industry, which attained retail sales of $13.4bn in Europe last year.

The federation, which represents 1,200 record producers worldwide, has lodged a formal complaint with the Commission, demanding that it takes action against Luxembourg in the European Court.

The Commission acknowledged receipt of the complaint yesterday, and said it would be investigating the case.

Luxembourg has failed to implement several pieces of legislation covering intellectual property, including two EU directives and World Trade Organisation copyright rules.

The Commission has already opened infringement proceedings against the Grand Duchy for failing to confirm to Brussels that it would implement the EU directives.

The federation's complaint could, however, speed up the process as successful legal action by the Commission in the European Court would require Luxembourg to implement the legislation.

Swedish PM faces up to union charges of betrayal

By Hugh Carnegy in Stockholm

Mr Göran Persson will face an unusual ordeal for a Swedish Social Democratic prime minister today when he addresses the national congress of the LO, the powerful blue-collar trade union confederation.

Angry protests are expected against government plans, unveiled on the eve of the LO congress last week, to loosen some of the tight regulations governing the country's labour market in an effort to tackle record unemployment.

The total out of work in August stood at 13.2 per cent of the workforce, and is the biggest political headache afflicting the government.

The government's proposals, drawn up in co-operation with the small Centre party, drew furious protests from the LO, which regarded them as a betrayal of more than half a century of close partnership between the unions and the Social Democrats.

"We will do everything we can to stop the proposed changes," declared Mr Bertil Jonsson, the LO chairman, who also sits on the SDP ruling council. He told the congress he "never dreamt" he would have to criticise an SDP government for "meddling with wage-earners' protection and their rights". There were calls for the LO to withhold its annual SKr20m ($3bn) funding of the SDP.

The list of changes, set to come into effect next year, was not long. The most significant is a measure allowing locally negotiated agreements between employers and local trade union branches to proceed without approval from the national trade union organisations. This would cover issues such as temporary employment contracts, working hours and the principle of "last in, first out" under which an employer seeking redundancies must fire on a seniority basis.

Other changes include allowing an employer to take on up to five workers for 12 months without applying collective bargaining agreements. These are the norm in Sweden where some 90 per cent of the workforce belongs to a trade union.

The proposals will not, in fact, greatly change the status quo. Many local agreements on issues such as flexible work schedules are already in place in companies such as Scania, Saab Automobile and SKF – duly approved by the national unions.

The plans were greeted grudgingly by the employers' federation SAF as a "small step in the right direction" – but far from the comprehensive review it had been seeking. They underpinned the need for employers to have long-term collective agreements with trade unions and encompassed some new restrictions, including giving part-time employees the automatic right to take up full-time vacancies if they held the right qualifications.

However, the LO's protest reflected its concern that the proposals undermined the centralised power of the unions and could be the start of a retreat from decades of gains.

Mr Persson, who had previously upset the LO by referring to it as "an interest group like any other", is unlikely to be moved by the the demonstrators this afternoon.

The government has for some time accepted the case – made repeatedly by outside bodies such as the Organisation of Economic Co-operation and Development – that at least some greater flexibility in labour market regulation is needed to help generate employment growth. Its main target is the small- and medium-sized business sectors most affected by the strictures of labour legislation.

Mr Persson has made important concessions to the unions since he became prime minister in March, agreeing to raise unemployment benefits to 80 per cent of previous salary from 75 per cent and signalling that Sweden will not attempt to join the European Monetary Union at its planned start in 1999. He clearly believes it is time for the LO to back down on labour regulations.

Göran Persson: unlikely to be moved by union protesters

Refugees leave Iranian border as defeated faction says it has stopped fighting

Kurds drift home as fighting subsides

By John Barham in Ankara

Kurdish refugees yesterday began returning to their homes as fighting between rival factions in northern Iraq subsided, easing fears of an international refugees crisis.

Mr Stafford Clarry, head of the United Nations relief effort in Sulaimaniya, said: "There are hundreds of vehicles and perhaps thousands of people" returning from the Iranian border.

An official of the defeated Patriotic Union of Kurdistan (PUK) said it had given up fighting, except for a few isolated pockets of resistance. It appeared that the offer of a general amnesty for PUK by the leadership of the victorious Kurdistan Democratic party (KDP) further encouraged people to go home.

An estimated 10,000 refugees began fleeing eastwards over the weekend to the Iranian border as KDP *peshmerga* guerrillas advanced on Sulaimaniya, the region's biggest city, held by the PUK. Aid agencies feared their number could swell to 70,000-75,000 after the city fell on Monday and Iran appealed for international assistance to cope with the refugee influx.

The KDP accused Mr Jalal Talabani, the PUK's leader who is believed to have fled to Iran, of mounting a propaganda exercise to incite people to leave in a "mass exodus". A KDP official said Mr Massoud Barzani, KDP leader, was "in the region yesterday trying to calm things down and get people to come back".

Many ordinary Kurds apparently suspected that officers of the *muhabarat*, the feared secret police of Iraqi President Saddam Hussein, would enter Sulaimaniya with the KDP *peshmerga*. *Muhabarat* officers and Ba'ath party officials rounded up government opponents in the regional capital of Arbil after it fell nearly two weeks ago.

However, Mr Safeen Dizaye, the KDP's Ankara representative, denied Baghdad had played any part in the KDP triumphant sweep south from Arbil to Sulaimaniya.

The KDP has now begun consolidating its grip over the region and its 4m inhabitants. It denied PUK allegations that Mr Barzani was preparing to sign an autonomy agreement with Baghdad that would dilute the terms of a 1970 deal which Mr Saddam reneged on four years later.

Baghdad lost control of its three Kurdish provinces in the wake of the 1991 Gulf war, which were governed by the two warring Kurdish groups until the KDP occupied all the PUK's territory this week.

Last week, Mr Barzani hinted he was open to talks with Baghdad on a new political settlement for the region. He said an agreement would be possible "if the Iraqi people can meet the demands of the Kurdish people". Mr Dizaye added "twenty six years have gone by and there have been a lot of developments. We [would like] a federal system but we have no dialogue with Baghdad on this."

● A delegation of senior Iraqi officials arrived yesterday in Ankara for talks on "bilateral and regional affairs", the Turkish government's Anatolia news agency reported. They met senior foreign ministry and defence officials and were later due to see Mr Necmettin Erbakan, the prime minister.

Observers say the talks concerned Turkey's plan to establish a 10-25km security zone inside Iraqi territory along the its southern border. Baghdad has angrily objected to the plan, intended to prevent guerrillas of the Kurdistan Workers party from infiltrating into Turkey from camps in northern Iraq.

A changing world and Emu challenge old banking order

An expanded membership of the 'central bankers' bank' could raise more questions than it answers, writes **Gillian Tett**

In the coming months, senior officials of the Bank for International Settlements could be suffering serious jet lag as they visit nine new members around the world.

They will be travelling to countries as far apart as Brazil and Singapore to discuss what they hope to gain from membership.

The discussions could be controversial. The expansion, announced this week, is likely to raise more questions than it solves about the future of the group that likes to consider itself the "central bankers' bank".

In essence, the problem lies in both the changing nature of global financial power and the looming project of European Monetary Union.

When the BIS was established in the 1930s its main role was to organise the post-war reparations by Germany and promote central bank co-ordination.

Consequently, its members were drawn from western countries, albeit with some later east European additions. But as the decades progressed, the BIS developed a number of new roles.

It now acts as a forum where the world's central bankers can meet each month in conditions of informality and secrecy: at the latest meeting last weekend, for example, they discussed the need for regulation of electronic money.

It also provides independent analysis of global economic trends and financial market activity and promotes the co-ordination of regulatory matters.

The BIS's 470 staff, with a budget of SFr120m ($100m), also provides banking services for central banks themselves. More than 100 banks have deposited about $120bn of foreign exchange reserves with the bank – or about 8 per cent off the global total.

The BIS can move this money anonymously around the world's financial markets and use it to intervene when there is currency turmoil.

These roles are valuable – not least because there is no other financial institution which can provide much banks. "Joining" the bank, therefore, essentially means anonymity, informality and independence.

But the BIS's essential problem is that the world is changing faster than its institutional structure.

With the emerging markets growing in strength, the problems that have required the greatest central bank co-ordination in recent years – such as the financial crisis in Mexico – have usually affected non-BIS members.

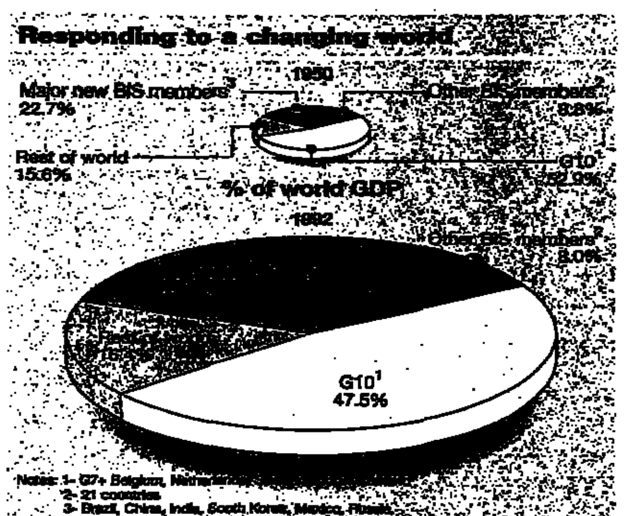
The invitation this week to nine emerging markets – India, Brazil, China, Hong Kong, Korea, Mexico, Russia, Saudi Arabia and Singapore – may help tackle this problem. But the real question that remains to be worked out is whether the new members will have any real influence in the group.

The operations of the BIS are dominated by two separate factors. On the one hand, the bank's capital is divided into 600,000 shares, primarily held by central banks, therefore, owning shares.

But the real power lies in the board, made up of the central banks of the world's largest 11 economies – the G7 plus Switzerland, Sweden, the Netherlands and Belgium. These take critical decisions – and, what is most important, act as a mini "club".

In the short term, this is unlikely to change and it is questionable whether membership will have much practical implication for the new entrants.

They may be better placed for calling for help from the BIS's formidable exchange reserves. But even this support is not guaranteed.



Meanwhile the number of new members could swell: over the next three years up to five other countries, including Argentina and Chile, may be offered entry.

At the same time the formation of the European Central Bank will almost certainly raise questions about the structure of the board. Countries such as the Netherlands, Belgium and Sweden are deeply attached to their membership of the G10. But justifying their separate seats on the board could be difficult if they no longer have their own currency.

At present, no European country seems ready to face up to these issues. Indeed, European BIS members expressed the strongest reservations about the expansion. As one central bank official said: "The Europeans do not want to think about this – they are feeling quite sensitive enough as it is about the domestic implications of creating the ECB."

But the clock for Emu is ticking. And the new members of the BIS are not only likely to have their own ideas about the group – but also to be less willing to be ignored in the future.

Gadaffi taps desert waters in bid to make a big splash

Roula Khalaf on the Libyan leader's grand ambition

It was a typically flamboyant act by Col Muammer Gadaffi. Flanked by the few African leaders attending the anniversary of Libya's 1969 revolution, Col Gadaffi celebrated this year by ordering water trapped for centuries in the desert to start flowing to Tripoli.

As the desert water rushed out of the Tripoli reservoir last week, Col Gadaffi smiled with excitement.

Thousands of fans cheered their leader, the "first engineer" of the $25bn Great Man-Made River (GMR).

The 4,000km pipeline network pumping water from the desert to the northern coastal areas is billed by Libya as the largest civil engineering project ever attempted in the Middle East and North Africa.

The extravagant solution to his country's water problems is also a symbol of Col Gadaffi's persistent defiance of the west. "Had we been under the influence of the US or the International Monetary Fund, the great river would have never been built," he said.

"Down with the sanctions," answered the crowds, referring to 1992 United Nations ban on international travel and the sale of military, aviation and some oil industry equipment to Libya to force Col Gadaffi to hand over two suspects in the Lockerbie bombing.

Building an artificial river across Libya's desert is fitting for a leader whose behaviour mixes simplistic reasoning with a nagging but elusive ambition for great accomplishments. He described the GMR as no less than a miracle.

As in the rest of the Middle East and North Africa, shortage of water is becoming an obsession in Libya. Nearly 90 per cent of Libyan land is arid desert and sea water has been infiltrating aquifers. Every house or building in Tripoli has drilled its own well.

But it would be uncharacteristic of the colonel to content himself with average solutions. His aim extends far beyond providing residents with fresh water. What he wants is to "green" his country by farming 180,000 hectares to create self-sufficiency and ensure Libya never needs the west. No matter that with under 5m people, Libya lacks the manpower: he intends to bring in Egyptians to farm the land.

Started in 1985, the GMR – if and when completed in the 21st century – should produce 5.6m cubic metres of water a day, 80 per cent of it for agriculture.

For some Libyans, the monumental scale of the project is enough to convince them of its greatness. Statistics cited, for instance, tell you that the electrical wiring used in the project would stretch from earth to the moon.

The project has not sailed as smoothly as the colonel had hoped. The first phase, consisting of a pipeline network in eastern Libya was targeted for completion in 1991. But pumping the fresh water from the desert aquifers has proved more complicated than drilling for oil and the work has yet to be completed.

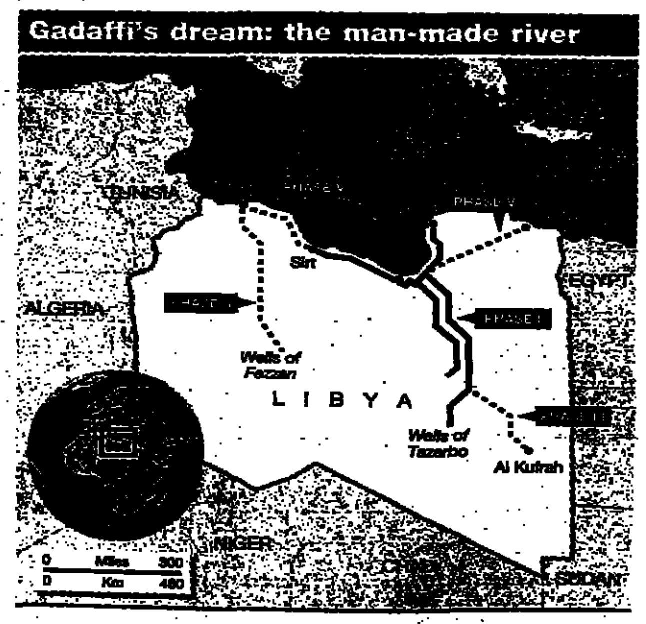
The first water supplies into Tripoli marked the conclusion of the first part of the second phase of the pipeline network in western Libya. Mr C.B. Lee, managing director for engineering and construction for the South Korean construction company Dong Ah, which has performed a significant part of the work, said last week drilling was only partially completed. Some diplomats in Tripoli were so sceptical of the project, however, that they wondered whether the water they saw flowing out of the Tripoli reservoir came from the desert.

In theory, the desert water supply is limited. But Brown and Root UK, Libya's consultants on the project, insisted that over 50 years, Libya would use up a mere 1 per cent of the available supply.

The GMR has certainly proved a boon to consultants and contractors, especially Dong Ah, whose work has brought in $9bn so far. Whether the project will ever produce the agricultural benefits Col Gadaffi promises – at anything close to competitive cost – is doubtful. But then, economic efficiency has never been the overriding consideration in Libya, and it certainly will not be when water is concerned.

More than anything, opening the water to Tripoli is a political act that Col Gadaffi needs in order to display some tangible benefits in an otherwise patchy record.

Gadaffi's dream: the man-made river



INTERNATIONAL NEWS DIGEST

Ozone hole arrives early

The ozone hole over the Antarctic, which appears each year during the Antarctic spring, has affected the southern tip of South America unusually early this year. According to the World Meteorological Organisation, ozone levels above Tierra del Fuego in Argentina in early September were 35 per cent below "normal" (pre-ozone hole) levels. Such levels have not previously been recorded before early October.

WMO officials said the latest information confirmed predictions of a continuing decline in the atmospheric ozone layer, which protects the earth from the sun's harmful ultra-violet rays.

Scientific experts expect the concentration of ozone-eating chemicals in the atmosphere to start declining around the turn of the century, but the ozone layer itself may not start to recover until well into the next century. *Frances Williams, Geneva*

Nigerian inflation falls

Nigerian inflation has fallen below 30 per cent for the first time in more than four years. The year-on-year rate dropped to 28.8 per cent in June from 31.0 per cent in May, pushing the rate inside the target zone of 20 to 30 per cent set by the military government in its 1996 budget, the Federal Office of Statistics said yesterday. The main cause of falling inflation is the sharp drop in consumer purchasing power in Nigeria. *Foreign Staff, London*

Hizbollah wins Lebanon seats

Hizbollah won four seats in the latest round of Lebanon's parliamentary elections on Sunday, official results showed. It was the party's first victory in the month-long election process, having lost two seats to government supporters in earlier rounds. *Sean Evers, Cairo*

UN move to salvage nuclear test ban treaty set for success

By Michael Littlejohns in New York and Bruce Clark in London

An unusual diplomatic procedure aimed at rescuing the Comprehensive Nuclear Test Ban Treaty from strong objections by India appeared last night to be on track for success.

Australia has spearheaded moves to bring the CTBT straight to the United Nations General Assembly, bypassing the 61-nation disarmament conference in Geneva where Indian blocking tactics have led to deadlock.

With at least 123 member states co-sponsoring a UN General Assembly resolution to adopt the pact and open it for signatures "at the earliest possible date", the measure was assured of approval by a two-thirds majority.

US officials said they expected President Bill Clinton would sign when he visited the UN on September 24 to address the new session of the General Assembly, which opens next Tuesday.

The US, Britain and France were among the co-sponsors of the latest resolution, while Russia and China, the two other acknowledged nuclear powers, supported the initiative.

The treaty text still sets tough conditions for entry into force: at least in theory, the accord must be ratified by all 44 countries which possess either nuclear weapons or nuclear power stations. This condition looks almost impossible to fulfil, given that India has refused to sign and Pakistan will not adhere to the accord unless its regional rival does so.

But, in practice, supporters of the treaty believe, the existing nuclear powers will be under an overwhelming moral obligation to refrain from testing if they now ratify the text.

"The only risk of a widespread resumption of tests would arise if there is a full-scale arms race in south Asia and this draws China in," said Mr Dan Plesch, the director of Basic, a pro-disarmament lobby group.

In a heated UN debate, Mr Prakash Shah, the Indian representative, said his government's stance was consistent with its 40-year diplomatic campaign for nuclear disarmament. New Delhi has said it will only sign the treaty if the existing nuclear states bind themselves to total disarmament under a fixed timetable.

In an apparent allusion to Pakistan, as well as China, he charged that India's neighbours were continuing weapons programmes "either openly or in a clandestine manner".

Israel, which is presumed to have a nuclear capability, co-sponsored the resolution – as did South Africa, which says it once developed a nuclear capacity but then renounced it.

Chinese rivals use western press to air differences

Jiang Zemin (left) and Qiao Shi: differing views about plans to reform the structure of China's communist leadership

By Tony Walker in Beijing

China's leaders rarely air their differences publicly and when they do, it indicates much more what is happening behind the scenes than is revealed on the surface. In the past week, Beijing has witnessed an intriguing example of factional rivals using the western press to amplify contrasting views.

In an interview with the German financial daily, Handelsblatt, Mr Qiao Shi, 71, number three in China's hierarchy and leading reformist, warned of risks to reform from conservative opponents. He also made clear his unhappiness with proposals to restructure the top leadership of the Communist party, including revival of the Mao-era post of chairman.

On the other hand, President Jiang Zemin, 70, sometimes referred to as leader of the "wind" faction, a comment on his shifting views, told the French daily, Figaro, China's economic economic, social and political reforms were proceeding smoothly.

"China," said Mr Jiang, who is also general secretary of the party, "had paid great attention to correctly handling relationships among reform, development and stability to harmonise and mutually promote the three."

Mr Qiao's reformist faction suspects Mr Jiang's mainstream group is more interested in preserving power than in genuine change, hence his observation in Handelsblatt that the greatest threat to reform came from "deeply-rooted" conservative forces.

Mr Qiao, who is president of the Standing Committee of the National People's Congress, the parliament, also took aim at proposed reforms to the party structure, saying: "We must institutionalise our democracy and anchor it in law. We must make sure that the system and laws will not change because of a leadership change or because of changing opinions and changing interests of leading personalities."

This latter represented pointed criticism of proposals which would revive the party chairman's position, which died in the early 1980s, with the aim of further strengthening Mr Jiang's grip on power. Mr Qiao appears to be aggrieved that changes to the party constitution would be required to accommodate the new structure.

Perhaps the sharpest edge to his observation lay in his reference to "changing interests of leading personalities". This was a thinly veiled criticism of a proposal that Mr Li Peng, the outgoing premier, become one of two vice chairman to a newly created chairman's position. Mr Li is due formally to retire as premier early in 1998 after having served two five-year terms, and at 68 is looking for a new job.

In his criticism of such "jobs for the boys" arrangements Mr Qiao may also have been reflecting concern that Mr Jiang and Mr Li, neither of whom could be described as standard bearers of Mr Deng Xiaoping's reforms, are in the process of consolidating their hold on power at the expense of the reformists.

At least, Mr Qiao's publicly expressed reservations about the proposed new party structure seem to indicate that the reformists feel confident enough to make something of a stand now. The issue will, theoretically, not have to be resolved until the latter part of next year before the 15th Communist party congress due late in 1997, but in reality such issues are usually thrashed out long in advance. This should make for lively discussion in the months ahead.

But Mr Jiang, in his efforts to bolster his position, through revival of the chairman's position, may have overplayed his hand. Mr Qiao clearly is not going to allow such moves to be railroaded through.

India assures foreign investors

By Mark Nicholson in New Delhi

India's three-month-old United Front government yesterday launched an attempt to dispel any "suspicions" that it opposes foreign investment, announcing plans to expand the list of industries in which foreign investors would be granted automatic approval.

The announcement came at a conference which Mr H.D. Deve Gowda, prime minister, said the government had sponsored to remove "this confusion, this suspicion" of his government's attitudes towards foreign direct investment. These suspicions arise from the fact that his 13-party coalition contains leftist and communist parties hostile to foreign investment in consumer goods and other politically sensitive sectors.

Both Mr Gowda and Mr Murasoli Maran, industry minister, made an aggressive pitch for higher levels of foreign investment, which the prime minister described as a "vital imperative" for India. Mr Gowda promised simpler and more transparent approval procedures, and said his government was determined "not to unnecessarily harass investors".

Mr Maran said the United Front aimed to make India's foreign investment regime "as transparent, investor-friendly and attractive" as in other emerging economies.

Mr Maran said sectors including infrastructure, agribusiness and export-oriented businesses were likely to be added to a list of 35 industrial sectors in which foreign investment up to a stake of 51 per cent was automatically approved. The list, drawn up in the early stages of India's five-year-old reforms, includes mainly heavier input or capital goods industries.

The minister also said India would raise the equity limit on automatic approvals above 51 per cent for some "high priority" industries – a figure of 74 per cent has been mooted – and said he wanted to "increase the feasibility of using Indian subsidiaries as an export platform".

The proposed measures, which are now before cabinet, follow a series of administrative reforms designed by the government to raise and accelerate foreign investment inflows, which in India are modest by comparison to its Asian neighbours.

The United Front has set a target for annual flows of $10bn, a fivefold rise on last year's level. Mr Maran said actual flows were just 22 per cent of total approvals.

To help raise this proportion Mr Gowda has already devolved the main approvals agency, the Foreign Investment Promotion Board, from his office to the industry ministry, where Mr Maran has in two months pushed through 350 previously delayed investments worth almost $4bn. He said he had cleared "the entire backlog" of pending approvals.

ASIA-PACIFIC NEWS DIGEST

Machine orders rise in Japan

Private-sector machinery orders in Japan rose in July a seasonally adjusted 13.6 per cent from the previous month after two months of consecutive decline, the Economic Planning Agency said yesterday. The key orders – private-sector orders minus volatile orders for ships and for machinery used by the electric power industry – amounted to Y1,185bn ($10.8bn). The July orders were 22 per cent up on their level the year before.

The agency traced the orders upsurge to the "trend of mild recovery" in Japan's economic activity as well as a Y50bn order placed by one corporation during the month. If that order is excluded, the month-on-month growth figure would be in the 8 per cent range. *Kyodo, Tokyo*

HK businessman clears decks

Orient Overseas, the Hong Kong shipping group, yesterday moved to clarify dealings with supplier companies, fuelling speculation that its chairman, Mr Tung Chee-hwa, is about to bid for Hong Kong's top government post after the handover of sovereignty to China on July 1 next year.

A statement from Orient Overseas gave details of deals with AIS and Taiwan-listed AIC, which are controlled by Mr Tung's brother-in-law. The family connection means the deals should have been notified to shareholders under Hong Kong's listing regulations.

Orient Overseas said the timing of the announcement was coincidental. But with the contest for the territory's chief executive gathering pace, the move was seen as an attempt to clear the decks for Mr Tung's candidature and to pre-empt criticism. *John Ridding, Hong Kong*

Tokyo reviews bank bailout

The Japanese ministry of finance is to review a bailout plan for a small Tokyo-based financial institution following an embarrassing failure to co-ordinate its rescue. Mr Wataru Kubo, finance minister, yesterday said the ministry had no immediate plans to rescue the troubled Musashino Shinkin Bank, a Tokyo-based credit association.

The ministry has been working on a scheme to support Musashino, which is burdened with bad loans, since February when the bank gave up restructuring on its own and asked authorities for help. Musashino, which operates mainly in the western district of the Tokyo metropolitan area, has Y58bn in loans of which Y25bn is non-performing. *Emiko Terazono, Tokyo*

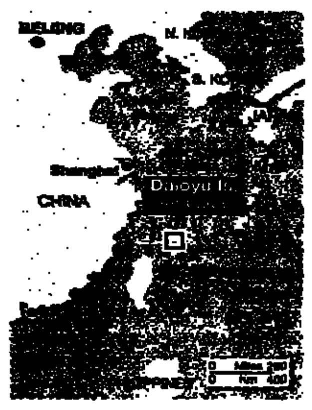
Pakistan devalues rupee

Pakistan's central bank yesterday devalued the rupee by 3.79 per cent, in a move apparently designed to address a worsening trade deficit. After yesterday's development, the rupee has been devalued by nearly 8 per cent since January. The devaluation fixes the exchange rate against the US dollar at 36.93 rupees against 35.58 rupees on Monday. Pakistan has a managed exchange rate system under which the central bank announces, on business days, the day's exchange rate against all leading foreign currencies.

No reason for the devaluation was given but it had been anticipated by the financial market in view of stagnant exports and an impasse with the International Monetary Fund over withheld disbursement worth $160m from a standby loan agreed last year. The trade deficit rose to $270m in July this year, up from $86m in June. It increased to $3bn last year (July 1995-June 1996) from $2bn a year earlier. *Farhan Bokhari, Islamabad*

Lighthouse with dark side

Michiyo Nakamoto on Japanese militants in an islands dispute



The young Japanese nationalists who have built a lighthouse on a disputed island in the East China Sea are not being as applauded in Japan as they had hoped. In uncomfortable silence the Tokyo authorities have looked on, embarrassed, as the initiative has ignited tension with China and Taiwan.

At the centre of the row is the Japan Youth Federation, an ultra-nationalist group whose origins lie in the Japanese underworld.

Members of the federation sailed in July to one of the Diaoyu islands (called the Senkakus by Japan), determined to boost Japan's claims to the uninhabited islands, about 300km west of Okinawa. As in previous years, they set about fixing an old lighthouse, this time reportedly putting up a makeshift 5-metre-high aluminium structure in an action seen as provocative by Beijing and Taipei, which also claim the islands.

The federation is one of a number of rightwing groups that blare slogans and nationalist songs over loudspeakers attached to black vans. The groups are best known for harassing any politicians and business leaders who have crossed them, and for their loudspeaker rallying cries of *banzai* for the emperor.

Like many ultra-nationalist organisations, the federation – which has about 200 members and is one of the largest rightwing groups in the Tokyo area – has underworld origins. It was set up by a former deputy chairman of the Sumiyoshi-kai, one of the largest organised crime groups, or *yakuza*, in the Tokyo area.

After the death of its founder, the federation severed direct links with the Sumiyoshi-kai and has adopted a gentler, less militant approach under the leadership of its current chairman, Mr Toyohisa Eto.

Until about 10 years ago, the major ultra-nationalist organisations were a formidable force, with close links to politicians. In particular, the influence of Mr Yoshio Kodama, an extreme rightwing political fixer who had close ties to prominent Japanese, stood out as a dark symbol of nationalist influence in politics and business.

But with generational change, the rightwing groups' power has waned, says Mr Hirotaka Futatsuki, editor of the Gendai, a tabloid which has reported extensively on these groups.

While they still finance their activities with money extorted from companies as "donations", the influence of today's nationalists is a pale reflection of the power they exercised when the Japanese economy was booming.

Changes in society are also reflected in the unlikely membership of rightwing groups. Today's nationalists are not beefy, military types like their predecessors but sport a variety of styles, ranging from punk to clean-shaven businessman.

As leader of the Youth Federation, Mr Eto is a smooth personality who could be taken for the manager of a Japanese company, notes Mr Futatsuki. Other members come from a variety of backgrounds, although most will have been recruits from motorcycle gangs and criminal groups.

What has not changed is the nationalists' conviction that they are acting in the best interests of the Japanese people.

In the past, those interests were seen in restoring the Japanese emperor to his former glory as a living god and in rewriting the US-imposed constitution to assert Japanese nationalism. But the declaration by the present emperor – whose cause the nationalists see as their own – to defend democracy and the constitution, forced them to change their strategy, Mr Futatsuki says.

Rather than campaign for restoration of the emperor's powers and adoption of a new constitution, nationalist groups have focused on what they see as protecting the interests of the Japanese race, Mr Futatsuki explains.

In the liberal interpretation modern rightwing groups have given to that cause, those interests cover a wide and curious range of issues. Maintaining social order, for example, is one cause they see themselves serving in recruiting young social outcasts to the organisation. They have also taken to campaigning loudly in front of government buildings against political corruption.

In their enthusiasm to serve society, rightwing groups such as the Japan Youth Federation have been seen handing out food and clothing or providing bathing facilities in the wake of the earthquake that killed thousands and devastated much of Kobe last year.

For all its professed good intentions, the latest move by the Japan Youth Federation, will not be welcomed by the Japanese authorities, who say they prefer a less provocative approach to the dispute over the islands.

Thais plan stimulus package

By Ted Bardacke in Bangkok

The Thai cabinet yesterday endorsed a series of measures designed to stimulate falling exports and lower the country's worrying current account deficit. But the minister overseeing economic affairs said the package would have little long-term effect unless government politicians handed over economic management to an unnamed group of technocrats.

The package includes tax cuts to promote personal savings, tariff adjustments for promising industrial sectors, the cancellation of quotas and distribution monopolies on some food and raw materials and slowing down foreign borrowing by the Thai private sector.

Mr Amnuay Viravan, deputy prime minister and foreign minister, said the measures would be implemented gradually. Details of many of the tariff cuts on raw materials and tax breaks for the shipping industry will be revealed today.

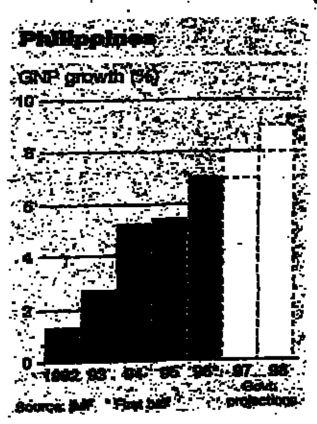
But he hinted there could be problems with some of the more contentious or abstract remedies – such as ending a government monopoly on transport from Bangkok port or setting up government-sponsored institutes to improve labour productivity in the food and textile industries – if politicians continued to control the ministries co-ordinating economic policy. "The political sector has to give an all-star team of knowledgeable people all of the responsibility so they can work," Mr Amnuay said.

Mr Amnuay's comments are a public endorsement of an idea that has been floated in political circles as a way to wrest most governmental power from the unpopular group of rural politicians that surround Prime Minister Banharn Silpa-archa if he wins next week's censure vote, which is expected to be close.

Analysts said the thrust of yesterday's measures was positive, especially since they appeared to focus immediately on using tax policy to support specific economic goals.

Philippines 'on course for sustainable growth'

By Edward Luce in Manila



The Asian Development Bank said yesterday that the Philippine economy had shrugged off the danger of a return to the boom-bust cycle which has plagued the country in the past, and was on course for a higher sustainable growth rate.

The conclusions of the report – which follows the news last week that Philippine gross national product rose by 7.1 per cent in the first half of 1996, significantly up on the 5.5 per cent registered in 1995 – were supported yesterday by the International Monetary Fund, which said there was no evidence the economy would overheat.

The IMF, which begins its annual review of the Philippine economy later in the week, was reacting to local reports that the rapid growth in the first six months of the year would be undermined by higher inflation. The inflation rate has dropped from 11.8 per cent in January to 7.9 per cent last month.

"The IMF Board [has] concluded that the boom-bust cycles of the past have been broken and a solid foundation for sustained growth established," said Mr David Nellor, IMF representative in Manila. "The objectives of raising sustainable economic growth and reducing inflation have been realised."

The ADB, which predicts GNP growth of 6-7 per cent over the next few years, rather lower than independent forecasts, which put the growth rate at 9 per cent by 1998, said the country's four-year reform programme had "dramatically" altered the structure of the economy.

In contrast to the early 1990s, more than 75 per cent of Philippine exports were composed of manufacturing goods as opposed to primary commodities such as sugar and coconut oil. Likewise, a comprehensive privatisation drive had turned regular budget deficits into the third consecutive budget surplus by 1996. Foreign debt as a proportion of national income had also plummeted over the same period.

The report warned, however, that failure to push the government's tax reform bill through congress or failure properly to implement fiscal reform once enacted could undo much of the current gains. Failure also to achieve a competitive peso exchange rate, which has appreciated by 13 per cent against the US dollar in real terms since 1993, could undermine the export growth on which the success was based.

"If the peso is allowed to appreciate continuously it might somewhere down the line affect the country's trade balance," said Mr Srinivas Madhur, an economist at the ADB. "It is also very important that the tax reforms are not only legislated but implemented," he added.

Confident Clinton turns fire on Dole's tax cut plans

By Jurek Martin in Washington

President Bill Clinton sought to drive home his solid advantage over Mr Bob Dole yesterday by directly attacking in a new TV commercial the centrepiece of his Republican opponent's platform, a deep across-the-board tax cut.

In a further sign of confidence Mr Clinton also headed west on a campaign swing that will take him today to Arizona, which last voted for a Democratic presidential candidate in 1948 but where the president is now running level with Mr Dole, and then to California, where he already holds a commanding lead.

The tactical purpose is to force Mr Dole, in Louisiana and Tennessee yesterday, to devote time and resources to states which ought to be in his pocket, as well as to the largest state. No Republican this century has become president without carrying California.

The new Clinton TV commercial, replete with pictures of Mr Dole looking somewhat furtive, questions the Republican's credentials as a born-again tax-cutter, charging that he is "running from his own record".

The voice-over intones: "Dole voted to raise payroll taxes; social security taxes; the '90 income tax increase; $900bn in higher taxes. And to help pay for this risky tax scheme, experts say Dole and Gingrich [the House Speaker] will have to cut Medicare, education, the environment."

A spokesman for Mr Dole called the advertisement "garbage" and said it was Mr Clinton who had set "the world record for the largest tax hike in history" – a reference to the 1993 budget act. But Mr Dole himself has seemed to blow hot and cold on whether to cut taxes or reduce the federal deficit.

This ambivalence is driving some of his more doctrinaire supporters to distraction, particularly after the resignation last week of Mr Mike Murphy, one of the campaign's two advertising experts. He had previously orchestrated three come-from-behind election victories with strong anti-tax commercials.

Mr Dole's wider problem over the last week, however, has been to get much publicity for any of his campaign efforts. A combination of the US missile attacks on Iraq and the havoc wrought by Hurricane Fran relegated him to very subsidiary slots in media coverage, serious for a candidate behind by 15 points with less than two months to go.

The three televised presidential debates, the first scheduled for St Louis, Missouri, two weeks from today, offer the best and perhaps the last chance for him to narrow the gap.

But it is probable he will have to contend with Mr Ross Perot of the Reform party in the first of these – and in his latest TV "infomercials" the Texas billionaire is trying to steal some of Mr Dole's new thunder by also promising to end the Internal Revenue Service "as we know it".

Colombia's vice-president 'sacrifices' job

By Timothy Ross in Bogotá

Colombian Vice-President Umberto de la Calle yesterday resigned his post, to permit a way out of the "unusually grave crisis" that, he said, threatens the survival of democracy.

Mr de la Calle sent his letter of resignation to the president of the Senate and read a copy to journalists. Giving up the post, he said, was a sacrifice necessary to allow Congress to choose someone who would be acceptable to the nation as a replacement for President Ernesto Samper.

The president, said Mr de la Calle, has no legitimacy as head of state and was responsible for the critical political and military situation, and a "shipwrecked economy".

Mr de la Calle claimed the crisis was rooted in the 1994 presidential elections, when the president's Liberal party campaign funds apparently received at least $6m in contributions from leaders of the Cali drugs cartel.

The party's campaign treasurer, Mr Santiago Medina, has been convicted by criminal courts of receiving illegal donations, while several other campaign officials are awaiting trial, including the current interior minister, Mr Horacio Serpa, right-hand man to Mr Samper.

"I am personally convinced that drug money went into the campaign," said Mr de la Calle. "If this destroys my political future, if it is the last act of my political life, it is a welcome sacrifice. I want to invite the president to make a similar gesture of generosity to the country, and to resign in his turn to allow a renewal of the political leadership of the nation.

"Everyone is tired of the politicians and everything that has happened".

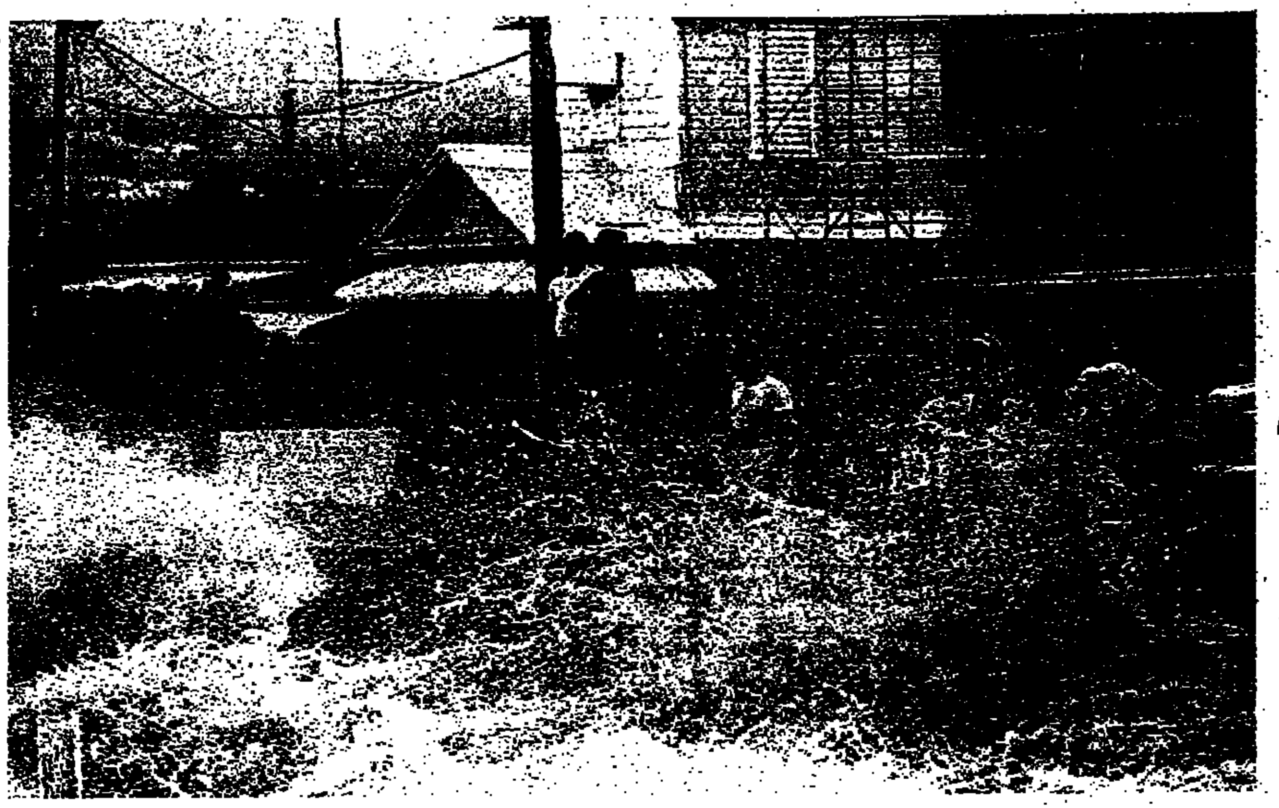
He denied suggestions that his resignation was a prelude to announcing his candidacy for the 1998 presidential election.

"I am not a candidate," he said. "That would be irresponsible, and nor would I be a leader of the opposition. There is no organised opposition here."

He promised instead to work for realistic solutions to the country's problems.

Over the past few days a number of critics of the president had asked Mr de la Calle not to give up the post, but his decision to go ahead with following the resignation he has received widespread approval for his moral stance and for making an altruistic sacrifice.

However, some have pointed out that it is now two years since the first indications emerged of drug money in the campaign and Mr de la Calle's reaction seems strangely delayed.



Hortense lashes Puerto Rico

Mr Pedro Rossello, the governor of Puerto Rico, has asked the US federal government to declare the Caribbean island a disaster area, following damage caused by a hurricane yesterday morning, Canute James writes from Kingston.

The designation of a disaster area by Washington would provide emergency aid for the island's 3.5m people, most of whom were left without electricity, water and telephones. The Dominican Republic and the Bahamas were put on alert yesterday as the hurricane, named Hortense, with winds of 80mph, moved through the northern Caribbean.

The hurricane's passage provoked anxiety yesterday in the south-eastern and eastern US in the wake of hurricane Fran, which killed 25 people.

Left: Coastal dwellers watch waves break across their street. Picture: AP

Argentine economic gloom growing

By David Pilling in Buenos Aires

Nearly half the Argentine public believe that peso-dollar parity will be abandoned, while 85 per cent fear the economy will stagnate or plunge deeper into recession, according to an opinion poll published yesterday.

The poll, compiled by Ricardo A. Rouvier & Asociados, reflects the dour mood of many Argentines, who are losing patience with an administration which they suspect is unable to drag the economy from recession or to tackle record unemployment.

Of particular concern to the administration may be the finding that only 58.2 per cent of the 600 people polled believe that convertibility, which pegs the peso to the dollar, will survive. Convertibility, introduced in 1991, is the cornerstone of the government's economic policy and the foundation upon which price stability and economic modernisation has been built.

Mr Rosendo Fraga, a political analyst, argues that convertibility still enjoys a high degree of confidence. "Given that the economy contracted 4.4 per cent last year, that we have 17.1 per cent unemployment, and that we have just changed economy ministers, I would say 58 per cent is high."

However, only a month ago, a poll by the Rouvier group found that 85.5 per cent of Argentines were confident that convertibility would be maintained, nearly 30 points above the latest findings, while 73.5 per cent felt inflation was under control.

According to the latest poll, only 45.3 per cent of Argentines still believe inflation is not a danger, in spite of the fact that retail prices have actually fallen in the past 12 months.

"Our collective memory of hyperinflation is still very strong," said Mr Ricardo Rouvier.

"Convertibility is heavily associated with [former economy minister Domingo] Cavallo." When Mr Cavallo was sacked in late July, some Argentines lost their conviction that peso-dollar parity would survive, he said.

The gloomy mood over the economy is the main reason for the sharp drop in popularity of President Carlos Menem, whose approval rating has fallen to 15 per cent, the lowest level since he began his first term in 1989.

In May last year, before the effects of the recession had begun to be felt, Mr Menem won re-election with more than 50 per cent of the vote.

Scandal hits Mexico opposition

By Leslie Crawford in Mexico City

Mexico's opposition National Action party (PAN) has been hit by a tax-dodging scandal which could undermine its electoral appeal in advance of next year's mid-term elections.

Mr Diego Fernández de Cevallos, a former presidential candidate and the PAN's strongest card for the 1997 mayoralty race in Mexico City, was accused by a rival last week of owing more than 1m pesos ($132,000) of back taxes to the municipality of Acapulco.

Mr Roberto Campa, of the ruling Institutional Revolutionary party (PRI), also accused Mr Fernández de Cevallos of acquiring properties illegally.

The allegations are particularly damaging to the PAN, which has built a reputation for moral rectitude and clean government.

Mr Fernández de Cevallos has fought back, calling the allegations "a dirty pre-electoral game". But the opening salvo of what promises to be a heated contest for the capital hit its target: he admitted he owed back taxes in Acapulco, although he denied any impropriety with regard to his real estate business.

Before the scandal, opinion polls consistently showed the PAN winning the mayoralty race in Mexico City with almost three times the votes cast for the PRI. Mr Fernández de Cevallos was the most popular choice for mayor, with 46 per cent of voter preferences, according to a poll by Indemerc Louis Harris in August. The elections in 1997 will be the first in which Mexico City will vote for its own mayor. The position until now had been held by a presidential appointee.

Most observers believe Mr Fernández de Cevallos's tax affairs have all but disqualified him for next year's mayoral race. The PAN, which has made huge electoral gains from the economic crisis and corruption scandals that have dogged the PRI, now governs in 219 cities and four of Mexico's 31 states.

Privatised dam plan criticised

By David Pilling

It would be economically foolhardy for Argentina to privatise the 3,000MW Yacyretá hydroelectric dam, according to a report by the nation's general audit office. Privatisation of Yacyretá, whose enormous budget overrun prompted President Carlos Menem to term it a "monument to corruption", still requires approval from Argentina's lower house and from the Paraguayan parliament.

In the long term, Argentina could recoup more of the $8bn it has already sunk into the uncompleted project by finishing the dam itself and selling electricity domestically and to Brazil, the report said.

The plan to privatise Yacyretá, which is jointly owned with Paraguay, calls for the granting of a 30-year operating contract and the advanced sale of electricity. The privatisation has been approved by the senate, in spite of strong objections from members of the opposition Radical and Frepaso blocs.

Opponents of the privatisation argue that it would sacrifice Argentina's long-term interests for immediate cash.

CORRECTION

Calpers

Contrary to our report in Monday's paper, Calpers, the *California public employees'* pension fund, has not yet taken a position on a state ballot measure designed to make it easier for aggrieved shareholders to sue for securities fraud.

Wal-Mart bans Crow album

By Christopher Parkes in Los Angeles

The latest pop album by Sheryl Crow, a top-selling singer with a record for sweetness and light, has been blacklisted by Wal-Mart, the biggest retailer in the US.

Although retail bans on violent, foul-mouthed or overtly sexual material are relatively common, the 2,300-store chain has taken exception to a verse in an anti-violence song, "Love is a Good Thing".

The bad thing about the track is the refrain: "Watch out sister, watch out brother, watch our children as they kill each other with a gun they bought at the Wal-Mart discount store."

Making no allowance for poetic licence, Wal-Mart said it could not contemplate selling a record which contradicted everything it stood for.

A&M Records, the Polygram-owned releasing label, declined to be drawn into a public battle with Wal-Mart, although executives said they believed the chain had made "a mistake".

Sales of the album, which goes on sale in the US this month, are expected to be strong regardless of the retailer's decision. Ms Crow was last year named best new artist in the Grammy music industry awards while her international hit "All I wanna do [is have some fun]" was chosen as best pop vocal of 1995 and record of the year.

Hopes remain high of a similar reception for the first single to be released from her new album: "If it makes you happy."

Wal-Mart's reaction follows efforts by the group to tighten up on gun sales in the wake of criticism and lawsuits. Although it still sells rifles over the counter, hand-guns were withdrawn from the stores in 1994 and restricted to mail order sales.

Move to ease Surinam fears

Canute James reports on a president-elect with military links

Mr Jules Wijdenbosch, Surinam's president-elect, is negotiating with the country's political parties to create a broad-based government, in the hope of easing concern in the US and the Netherlands that his election has returned control of the country to a former military dictator.

Mr Wijdenbosch, who is to be sworn in at the weekend after his election by parliamentarians and regional and municipal councillors, is an associate of Mr Desi Bouterse, a former army strongman who staged two coups and who headed the military government in the former Dutch colony in the north east of South America. Mr Wijdenbosch will replace Mr Ronald Venetiaan, who has been president since 1991, when foreign pressure forced the military to allow elections for a civilian government.

The US and Dutch governments, which have been concerned about the possibility of power being returned to Mr Bouterse or his followers, are both awaiting indications of Mr Wijdenbosch's policy for the country of 450,000 people. Both governments were harshly critical of Mr Bouterse's junta in the 1980s, accusing it of violating human rights and murdering at least 15 critics. The Dutch government suspended foreign aid.

There is also concern among some of Surinam's neighbours. The country is the newest member of the 14-nation Caribbean Community, a regional trade group. Caribbean governments, however, have not commented on the change in Surinam. "The governments will be keen to see the foreign policy priorities of the new Surinamese administration," an official of the Caribbean Community secretariat said yesterday.

Mr Wijdenbosch, however, has promised a "broad" government, saying he will consult all sectors in planning government policy. But there is uncertainty about how the election of Mr Bouterse's aide would be received by former rebels who fought an unsuccessful six-year guerrilla war against the junta.

The rebel group, the Jungle Commando, was disbanded after a truce with the government in 1992, but its former members recently said they would resume the conflict if a new government violated the agreement. Mr Ronny Brunswijk, who led the rebels, said he was "disappointed" by Mr Wijdenbosch's election.

The election of Mr Wijdenbosch, however, has political influence back in the hands of Mr Bouterse, diplomats in Paramaribo, Surinam's capital, have said. They expect the new president to be Mr Bouterse's proxy, and suggest that he will overturn several of the economic policies implemented by Mr Venetiaan.

In his campaign for a general election last May, Mr Bouterse said his party wanted "respect for the country's sovereignty", and said it would review all agreements with foreign companies if it took office.

"Just like the time we were in power, our focus will be to increase local production and develop new industries," said Mr Bouterse. "We have shown that we are able to manage the country and we will not allow any country, especially not Holland, to dictate our development."

Mr Venetiaan's deregulation of the economy, including a structural adjustment programme, eroded the administration's popularity, with billowing inflation and the collapse of the Surinamese guilder. The economy, based on agriculture (bananas, rice and fishing) and on bauxite mining and refining and aluminium smelting, has been contracting.

US calls the shots on Heathrow slots

Michael Skapinker reports on the murky business of dealing in airport landing rights

What, a senior US official was asked recently, does the UK have to do to conclude an "open skies" agreement with the US? "They just have to get it," was the reply. This means the UK must understand, and deliver, what the US is demanding in return for US approval of the proposed alliance between British Airways and American Airlines. The UK's failure to do so was the reason behind the collapse of bilateral negotiations last month.

The US wants free access to London's Heathrow airport for its carriers. But declaring Heathrow open to all would not be enough, the US says. US carriers must have enough slots to ensure they can run services to Heathrow.

This presents two difficulties for the UK. Heathrow is heavily congested and the government has no control over the allocation of slots. These are granted, under EU and international rules, by a company called Airport Co-ordination Ltd, owned by nine UK airlines.

US officials and airlines show little sympathy. It is for the UK government to find a solution, they say. Mr Robert Ayling, BA's chief executive, recently proposed that US airlines wishing to use Heathrow should buy slots at the airport.

The best way to allocate slots is to treat them like any scarce resource and allow people to pay the market price for them, he says. When American took over TWA's Heathrow routes in 1991, it paid $440m for them.

US airline executives are unenthusiastic about paying for rights they think they should receive free. Another problem with the suggestion is that it is not clear whether it would be legal. The word used most often when discussing buying and selling slots with lawyers and regulators is "murky". Everyone in the industry agrees that it happens, but the process and the sums are shrouded in secrecy. "They don't put slots up for sale in Exchange & Mart," says Mr Mark Franklin, an aviation specialist at London solicitors Frere Cholmeley Bischoff.

Central to slot allocation is a twice-yearly meeting of co-ordinators and airlines hosted by the International Air Transport Association; the next will take place in Vancouver in November. Airlines put forward their demands and trade slots with one another. The exchange of slots, without money changing hands, is legal.

The slot co-ordinators continue the process of trying to match slots with airlines when they return home. Once an airline has been awarded a slot, it can hold it indefinitely, provided that it uses it for at least 80 per cent of the time for which it is allocated.

Under EU regulations, 50 per cent of newly generated or returned slots must be allocated to new entrants. At Heathrow, this would favour US airlines which cannot use the airport at present. Under bilateral arrangements, American and United Airlines are the only US carriers permitted to use the airport.

Heathrow has increased the number of aircraft arrival and departures to 420,000 a year from 331,000 in 1989 by using its runways more efficiently. However, a UK Civil Aviation Authority report last year found that new entrants had difficulty obtaining slots at the busiest, and most commercially attractive, times.

Buying slots might be a way around these difficulties. It does not, however, solve the legal uncertainties. It is not clear, for example, who owns the slots although Mr Franklin says it is definitely not the airlines.

The European Commission is considering new slot regulations. Its officials do not believe that paying for slots is legal. They are unlikely to change their minds in time for BA to present its idea as a quick, legally water-tight solution to the current UK-US impasse.

EU removes suspect Italian cheese from shelves

By Andrew Hill in Milan

The European Commission said yesterday that all suspect Italian mascarpone cheese had been withdrawn from sale in the European Union, following the death of an Italian teenager and several cases of severe food poisoning linked to consumption of the cheese.

The Italian health ministry last week withdrew from sale mascarpone – widely used in the popular *Italian dessert tiramisù* – manufactured at the Reggio Emilia factory of Giglio, controlled by Parmalat, the dairy products group.

The move followed an outbreak of botulism in Naples, which led to the death of a 15-year-old boy at the weekend.

The US Food and Drug Administration has also warned consumers that Italian-made mascarpone cheese sold under the Giglio, Parmalat and Sol di Valle brands could contain the bacterium responsible for botulism.

Parmalat said yesterday that no Parmalat employees and none of its own branded mascarpone were involved and underlined that mascarpone sales accounted for only a tiny proportion of its overall turnover.

Parmalat "only has financial control over Giglio, [which] has an autonomous production, management and marketing activity," the group said.

The Italian association of dairy producers joined Parmalat and Giglio yesterday in pointing out that the botulism bacterium had never before been linked to dairy products. The bacterium is sometimes found in badly preserved canned raw meat.

Nicola Saggiomo, the boy who died, his brother and a friend all fell ill after eating tiramisù prepared at home with mascarpone cheese. Several other cases of botulism have been reported in the Naples area, the Calabria region and the central town of Siena.

On Monday, the Belgian health authorities blocked mascarpone imports from Italy and withdrew the three brands from sale, while the Swedish authorities advised consumers not to use mascarpone produced under those brands.

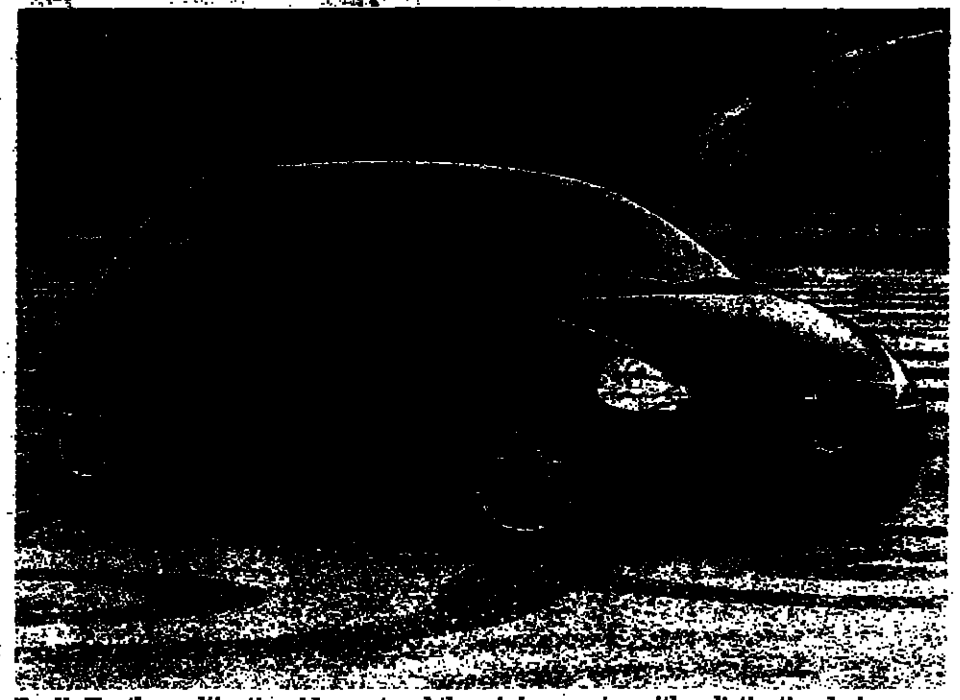
Austria followed suit yesterday, seizing 1,200 packs of Giglio mascarpone. Spain – the only other EU country to which the suspect cheese had been exported – has also withdrawn the product after Italy contacted the European Commission to warn of the potential problem, activating its "early warning" system for food scares.

An EU inspector, who is now visiting the *Giglio* factory, could report as early as next week to the EU's veterinary committee.

Mr Bruno Viserta, undersecretary at the health ministry, said the ministry was awaiting the results of laboratory analysis to assess the extent of the contamination. He told La Repubblica newspaper that "tests have confirmed the diagnosis of doctors" that the botulism was in the cheese.

Ford decides there's money in 'irrelevant' fun car market

By Haig Simonian, Motor Industry Correspondent



Ford's Ka: the multinational has entered the mini-car sector with a distinctive design

The European market for small, predominantly urban "fun" cars, such as the Renault Twingo and Fiat Cinquecento, moves from niche to mainstream today with the launch of the Ka, Ford's Spanish-built compact hatchback.

Designed to slot in below the Fiesta in Ford's five-model European-built range, the Ka represents a significant vote of confidence by a leading manufacturer in a market segment once dismissed by many carmakers as irrelevant.

Instead of having a limited appeal among smart urbanites or financially strapped singles, sales of the Twingo and the Cinquecento have exceeded expectations. Fiat has sold almost 630,000 Polish-built Cinquecentos since the launch in 1992. Sales of the Twingo, which is built in France and Spain, have reached about 800,000 since its introduction in March 1993.

The success of both models has prompted other carmakers to re-examine the small hatchback segment. Volkswagen is expected to launch a shortened version of its highly successful Polo hatchback, probably under its Spanish Seat brand, by the end of next year. General Motors is thought to be working on a smaller version of its Corsa compact hatchback to be powered by an innovative three cylinder engine.

Although the Ka is appreciably bigger than the Cinquecento and has a much larger 1,300cc engine than both the Fiat and Renault models, it is expected to compete for much the same customers in western Europe. Ford says it has no immediate plans to sell the Ka outside Europe.

Production of the new vehicle, to be built at Ford's Valencia plant, is expected to reach about 200,000 units a year at full tilt. The Ka will go on sale after the Paris motor show in October.

The vehicle's striking design reflects the new strategy of many carmakers of producing distinctive vehicles to create greater brand awareness. Ford is also stressing the new car's environmental friendliness through its compact dimensions, fuel economy and the fact that many parts will be recyclable.

Such features have contributed to the image of mini-cars such as the Twingo and the Cinquecento as examples of style over substance. Renault admits that a relatively large proportion of Twingo sales have been of high-margin option-packed luxury models. However, both the Twingo and the Cinquecento have also been bought in large numbers by budget buyers.

Although available, like the Twingo, with a relatively large number of up-market options, such as air-conditioning and a compact disc player to ease the frustrations of urban driving, *Ford* says its new vehicle also offers cheap but practical long-distance transportation.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for September 15 1996 to October 14 1996 (August 15 1996 to September 14 1996 in brackets).

D-Mark	6.46 (6.60)
Ecu	6.36 (6.45)
French franc	6.63 (6.81)
Guilder	
up to 5 years	6.15 (6.15)
5 to 8.5 years	6.80 (6.90)
more than 8.5 years	7.60 (7.60)
Italian lira	8.57 (8.47)
Yen	3.10 (3.10)
Peseta	9.32 (9.11)
Sterling	8.22 (8.32)
Swiss franc	5.13 (5.21)
US $ for credits	
up to 5 years	7.21 (7.45)
5 to 8.5 years	7.39 (7.64)
more than 8.5 years	7.52 (7.76)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

WORLD TRADE NEWS DIGEST

Asean farm row flares up

Efforts by south-east Asian countries to accelerate economic integration are being overshadowed by the return of an old internal dispute over agricultural commodities. The dispute emerged in meetings of officials this week in Jakarta before today's gathering of economic and trade ministers from the Association of South-East Asian Nations (Asean).

The ministers had planned to press ahead with regional economic integration with discussions on an Asean investment area, liberalisation in services, a customs harmonisation agreement and agreement on a dispute settlement mechanism. But Indonesia and the Philippines called for a delay in including farm products in the Asean Free Trade Area (Afta), the centre-piece of regional economic co-operation.

Their proposal could allow them to maintain some farm protection arrangements until 2020, the overall deadline for regional free trade established by the Asia Pacific Economic Co-operation forum. *Greg Earl, Jakarta*

SAS rejects Virgin criticism

Scandinavian Airlines System yesterday rejected criticism by Britain's Virgin Group that it had illegally cut prices to compete on the Copenhagen-Brussels route. SAS, which has 10 daily flights on the route, recently lowered its fares on three departures after Virgin Express began servicing the route with prices 50 per cent below both SAS and Sabena Belgian World Airlines, the only other airlines to fly the route.

Virgin Express president Richard Branson said he would report SAS to the European Commission, arguing that the Scandinavian company cut its prices only on departures that coincided directly with those of Virgin Express. SAS said it had used normal business methods and did not see anything wrong with fighting competition with lower prices. "Virgin Express is always talking about how they want competition, and that's exactly what we're offering now," said Mr Hans Ollongren of SAS. "We have chosen (to reduce the fares *on*) those flights where we have lots of space in the plane. It's not about trying to ruin Virgin." *AFX, Stockholm*

WTO ejects banana lawyers

The World Trade Organisation dispute panel on the European Union's banana import regime yesterday *expelled* from its hearings three private-sector legal specialists appointed to represent the Caribbean banana-producing countries of St Lucia and St Vincent. The panel took the decision after objections from the US, and the other complainants in the dispute, Ecuador, Guatemala, Honduras and Mexico, that the three were not permanent government officials.

Under rules established by Gatt, the WTO's predecessor, attendance at panel proceedings is confined to government representatives, though private lawyers often advise governments on the preparation of their case.

Mr Philip Lee, a Dublin-based trade lawyer and one of those ejected yesterday, said the panel's decision was an affront to due process. It also had "enormous systemic implications" for the WTO, by denying proper representation in dispute hearings to small nations unable to afford specialist in-house expertise. Caribbean producers are already smarting from the panel's refusal to grant them full participation in panel proceedings, even though their vital economic interests are at stake. The dispute is over preferential access to the EU for high-cost bananas from the Caribbean. *Frances Williams, Geneva*

Big test for Ukraine privatisation policy

Foreign investors are watching the sale of its most valuable asset, writes **Matthew Kaminski**

The Mykolayiv Alumina Factory, the dominant raw material supplier for Russia's – and the world's – two biggest aluminium smelters, stands apart from Ukraine's many industrial white elephants.

Near the Black Sea, the company, known by its Ukrainian initials as MGZ, supplies half the alumina processed each year at Russia's privately owned Bratsk and Krasnoyarsk smelters, thousands of miles away in Siberia.

"It is the top company in Ukraine," says Mr Yuri Yehanurov, head of the state property fund, Ukraine's privatisation agency, which in July announced *that* it would be put up for sale, along with 207 other companies.

High aluminium prices and a seller's market in Russia yielded profits last year of $30m on revenues of $225.9m. Its value has been estimated at between $1.5bn and $2bn but it is likely to be sold for less than that.

The proposed sale pits insiders against eager outside investors in a cross-border battle that reveals some of the intricate business relationships developing in countries of the former Soviet Union.

The factory's management backed privatisation last year, assuming that directors and the workers' collective would retain control. But several foreign companies have expressed an interest. Ukraine officials say.

Trans-World Metals, a London-based company that has been active in the former Soviet Union, has been the most visible. Trans-World operates as a sort of middleman, supplying Bratsk with the bulk of its raw materials, some of it from MGZ, and buying aluminium from the Russian smelter. It also holds an equity stake in Bratsk which it would like to strengthen.

But last year Bratsk suffered when MGZ supplied only 350,000 tonnes of a promised 500,000 tonnes. Market analysts say MGZ refused to sell to Bratsk when alumina was in short supply in an effort to weaken Trans-World's control over the smelter.

MGZ itself wants control over Bratsk, claiming it already owns 20 per cent. Mr Vitaly Meshin, the director of MGZ, says it can claim that share holding as collateral on contracts not yet paid for.

Mr Meshin considers Trans-World his biggest threat: "I don't want to think they could take control of Mykolayiv." But his efforts – backed by a worker collective anxious about job security – have been frustrated. MGZ management could not carry out a proposed share swap with Krasnoyarsk, the other smelter with which the company recently concluded a long-term supply agreement, that would have enabled it to retain ownership – because it is not allowed under current Ukrainian law.

Mr Meshin also wanted to lock MGZ into a financial-industrial group either with Bratsk or Krasnoyarsk. The idea of such groups is to give tax breaks to interdependent former Soviet behemoths that recreate the old supply networks.

But the champion of such groups, Mr Oleg Soskovets, was ousted in June as Russian deputy prime minister, and the proposals never won endorsement in the Ukraine government. Mr Meshin, visibly frustrated, recently lashed out against the privatisation agency, claiming it was betraying his workers by not approving an insider sale.

Meanwhile, the state property fund has accused MGZ management of deliberately undervaluing the company in its first audit. This would have made it easier for them to buy the company.

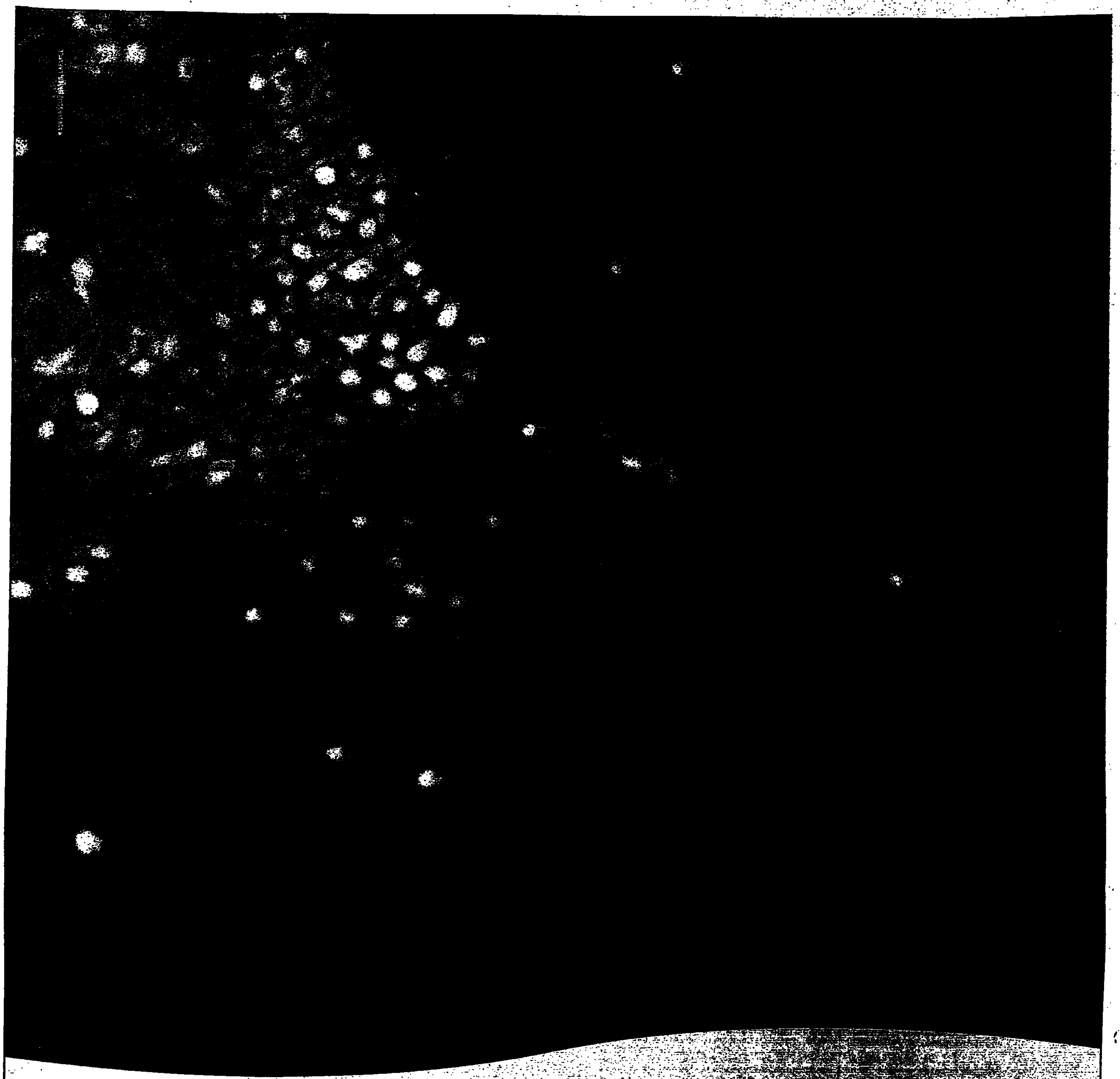
The agency wants to award the workers' collective a 4.6 per cent stake. A special commission, set up by the government, awarded it 40.14 per cent but an arbitration court last week ruled in favour of the agency, dealing the factory leadership another blow.

The management's last card is to find its own foreign partner. "The government told them they have to buy themselves out or they'll sell them," says a US investment banker whose institution MGZ approached to come in as a partner.

The bank was put off by MGZ's lack of political backing, which is critical to any deal-making in Ukraine. "They're not well plugged in in Kiev, and seem to have yet to realise that the power centre has shifted away from Moscow," the investment banker adds.

The decision about how to sell MGZ will probably be made at presidential level. Mr Yehanurov is eager to change Ukraine's image as hostile to foreign investment by giving it access to the best assets. "The controlling packet in MGZ – 51 per cent – will go to an outside investor," he says.

Whatever the result investors with an eye on other state assets will watch carefully to see whether the government can take foreign and domestic interests into account when it sells its best one.



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N Ireland wins £68m US investment

By John Murray Brown in Dublin

Seagate Technology, the US computer electronics company, yesterday announced a £68m ($106m) investment in Northern Ireland.

The company, which already makes read-write heads for compact disc drives in the city of Londonderry, is also to occupy a factory in nearby Limavady. The Limavady unit was previously occupied by Benelux, a Hong Kong company which was forced to close its compact disc container operation last week.

The investment at Limavady underlines Northern Ireland's continuing attraction in spite of uncertainties over the prospects for a political settlement of the troubles in the province.

The factory will begin production in July next year, creating 759 jobs over the next two years, producing substrates for the manufacture of computer disc drives.

Seagate is to receive a £34.2m grant from the British government's Industrial Development Board for training and research and development.

The Northern Ireland Industrial Development Board said yesterday it expected to write off £7.2m of the £10.2m invested by the UK government in the Beneflux project. Mr Bruce Robinson, IDB chief executive said: "It is a major loss of public money."

Mr Bill Selvig, vice-president of Seagate Technology Recording Media Group, said the Limavady decision was "influenced by the positive experiences of our sister operation in Londonderry". He also said the company was impressed by the co-operation between business, universities and the public sector in Northern Ireland.

The Limavady plant is the company's first substrate facility in Europe making the core material on which computers read, write and store digital information.

The products will be shipped from Limavady to Seagate's plant in Singapore to be finished.

The announcement comes against a background of mounting frustration at the slow pace of political talks.

Mr Bill Tosh, head of the Northern Ireland Confederation of British Industry, yesterday accused the politicians of not giving sufficient attention to the business community.

Mr Tosh told a lunch in Belfast for 200 executives and guests, which included CBI president Sir Colin Marshall, "it is essential that we continue to keep hanging home the message to both government and politicians that, for the economy to grow to its potential, we need political stability."

● A US electronics company which manufactures memory products is to open its first European plant at East Kilbride near Glasgow, Scotland, creating 245 jobs, James Buxton writes.

California's Smart Modular Technology will build an £8m plant to supply both European and US companies which sell to the European market.

Price wars hit railway operators

By Charles Batchelor, Transport Correspondent

The price wars which have become an established feature of the airline and ferry markets have broken out on the railways, as the newly privatised train companies begin to flex their commercial muscles.

There is every sign that price competition – limited at present because many railway managers are unfamiliar with marketing techniques – could spread to more routes if the early campaigns succeed.

After nationalisation of the old railway companies in the 1940s, rival services were not encouraged to compete on price because this was seen as not producing any benefits to the network as a whole.

But now that the network has been broken up and privatised, this is no longer a constraint, and marketing specialists can deploy their skills. The density of the rail network means that many travellers could take a variety of routes depending on whether speed, price or a scenic journey were the priority.

The company pushing its new competitive freedom the furthest has been Network SouthCentral, now owned by the French utility CGEA. It has launched a campaign on the line from central London south-east to Gatwick airport attacking the rival service run by Gatwick Express, now owned by the National Express bus group.

SouthCentral advertisements highlight the fact that the Gatwick Express does not run through the night, does not stop at intermediate stations and is more expensive.

Gatwick Express is countering with *"carnets"* of 10 tickets at a low price and is offering discounts of up to one third for groups. It is also planning 24-hour operations.

Other companies are engaged in competing not with each other but with airlines. The West Coast and East Coast InterCity companies which run trains from London to Scotland are engaged in a price war with EasyJet, the cut-price company which offers a £29 ($45.24) single fare between Scotland and Luton Airport.

The rail companies have responded with a £29 return fare between London and Scotland, knocking £5 off the cheapest return previously available.

East Coast hit back with a £140,000 advertising campaign in Scotland for its cheaper fares and a complaint to the Advertising Standards Authority that EasyJet was not telling travellers they would also have to pay £5 in airport tax.

The Central Rail Users' Consultative Committee, a passenger watchdog, said it welcomed promotions as long as any restrictions on the availability of low-cost fares were made clear.

● The Go-Ahead Group, a large UK bus company, and a management team from Thames Trains are poised to win a franchise to operate the train company which runs services from London Paddington and Gatwick Airport north-west to Oxford, Stratford-upon-Avon and Worcester.

If the bid is confirmed Go-Ahead will be the fifth bus group to acquire a rail franchise after earlier successful bids by Stagecoach, Prism Developments, FirstBus and National Express. Go-Ahead holds a 65 per cent stake in Victory Railways, a newly formed company set up by rail managers to make the bid. Nine of the 25 franchises created from British Rail have been sold. Bids have been invited for a further 10.

Trade unions urge country not to 'sulk on the sidelines' over single currency

Membership of monetary union backed

By Robert Taylor, Employment Editor

Britain must join a single European currency and not sulk on the sidelines, the Trades Union Congress said yesterday as the unions committed themselves to UK membership of any future European monetary union.

The TUC's decision, at its annual conference in the northern town of Blackpool, underlines its belief that the future of trade unions in Britain lies through a deepening of its close involvement in the European Union.

Mr John Edmonds, the GMB union general secretary, speaking for the TUC general council position, told delegates yesterday they had "to live in the Europe of the single currency so we had better have a say in writing the rules".

He added however that the TUC backed the EU timetable for a single currency "without enthusiasm". The TUC believes the timetable to create monetary union is too fast and the government should try hard to slow it down. But Mr Edmonds said: "That strategy may fail. So what do we do if the timetable goes ahead as planned? Then, the UK is between a rock and a hard place."

He said the UK faced two options. The first would be to stay out of the currency and try to exploit the freedom this would provide for sterling. However the TUC believed this would be unrealistic. "Germany and France have made it crystal clear any European Union country that tries to become a cut-price offshore trading station outside the single currency will be punished," said Mr Edmonds.

The second option would be to stay out of the single currency but shadow the Euro and "do nothing to upset the Germans" which Mr Edmonds believed would be the UK government's position and which he described as "responsibility without power". "We would get all the disadvantages of the single currency and none of the opportunities to influence the development of policy," he said. In the face of this "unenviable choice" the TUC decided it would be preferable to "take the tough option and go in".

The TUC wanted to see a flexible application of the existing Maastricht criteria for economic convergence. But it also favoured additional convergence criteria covering growth, employment, investment and skills.

"The great weakness of the European treaties is they say so little about jobs," said Mr Edmonds. The TUC supports the Swedish government's proposal that would commit the EU to the objectives of full employment. It also favours more funding of training initiatives.

GMB union's John Edmonds: 'let's take the tough option and go in [to the single currency]' John Stillwell

Labour party softens stance on unions

By John Kampfner and Robert Taylor

The opposition Labour party last night toned down proposals for curbs on strikes in public services after behind-the-scenes pressure from trade union leaders.

At the end of a day of confusion at the Trades Union Congress conference Mr Tony Blair, the party leader, said he would not impose arbitration or re-balloting in disputes. Earlier, however, both Mr Blair and Mr David Blunkett, Labour's spokesman on education and employment, had struck a tougher note, refusing to rule out legislation to bring recalcitrant unions to heel.

The Labour leadership has been worried that recent strikes on the London Underground and in the postal services had allowed the governing Conservative party to make electoral capital by resurrecting the trade union "bogey".

Outlining his proposals, Mr Blunkett suggested strengthening the powers of Acas, the conciliation service, which would be allowed to decide whether a union should re-ballot its members in a dispute if a management had made a "significant new offer". He also called for greater use of binding arbitration agreements, although these would be entered into voluntarily.

● The CWU postal union last night called two more 24-hour strikes in a move which guaranteed the Royal Mail's monopoly on delivering letters would again be lifted – this time for at least three months, Andrew Bolger writes.

The next strikes will start late on Friday, September 20, and Sunday, September 22. The Department of Trade and Industry confirmed last night that the monopoly would be suspended after consultation with the Post Office and the laying of an order before parliament.

The decision by the union's executive to escalate the dispute over working practices was made in defiance of strong pressure from Labour as well as Conservative politicians that the latest offer from Royal Mail management be put to a ballot of the union's 134,000 members.

Levi Strauss to launch personally tailored jeans

By Diane Summers in London

The search for the perfectly fitting pair of jeans could be over. Levi Strauss, US manufacturer of the world-famous jeans, is to offer shoppers in Britain customised denims, in a pilot project thought to be the first of its kind in Europe.

Levi's "personal pair" scheme has been operating in the US and Canada for the past 18 months and has been very popular, says the company. If the UK experiment is successful, the company will consider offering the service in its larger stores across Europe.

Visitors to Levi's London flagship store in Regent Street, and to the company's main shop in the northern England city of Sheffield, will be able, from tomorrow, to be measured up for personally-tailored jeans. The service will be available at first only to female shoppers.

Size details, together with the shopper's name and address, will be entered into a computer in the stores. Purchasers will then try the best fit of more than 300 prototypes kept in the shops. The measurements on the computer will then be amended to get an exact fit.

When the shopper and sales assistant are happy with the specifications – the process should take 15-20 minutes – the details will be sent by computer to a Levi's factory in Belgium where each personalised pair will be cut out separately and given a unique bar code.

From that stage in the production process, the jeans will be stitched and washed like any of the other pairs which have been mass-produced. When they are complete, the jeans will be retrieved from the production line, identified by their bar code and despatched to the customer for collection. Delivery should be within 21 days.

Customers pay a premium for the service: £65 for customised jeans, compared with the £46 being charged in the Regent Street store yesterday for a standard pair of Levi's.

Agencies angry at fines by Lloyd's

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday signalled a toughening of its regulatory system by announcing fines totalling £12,500 ($19,500) against seven agencies at the insurance market, including two of the biggest operators.

Fines of £5,000 each have been imposed on Bankside Syndicates and Murray Lawrence & Partners, which are among the biggest agencies at Lloyd's. Five other agencies have each been fined £500.

Lloyd's said the action followed the late submission of syndicate or agency quarterly returns.

In addition, access by five intermediaries to the insurance market had been withdrawn for a variety of reasons.

The moves sparked anger at Lloyd's where agencies running syndicates have faced a greatly increased workload resulting from the market's recently completed recovery plan.

Mr Elvin Patrick, chairman of Bankside, said his agency's fine was "most unreasonable".

Murray Lawrence said it would also complain to Mr David Rowland, the chairman of Lloyd's.

Mr David Gittings, the director of Lloyd's regulatory division, said the actions were part of routine regulatory activity.

Ministers face rough ride in BSE battle

Options for the cattle slaughter programme will be discussed tomorrow

Government ministers are tomorrow expected to tackle the potentially explosive issue of the "selective slaughter" of about 125,000 cattle considered most at risk of developing mad cow disease.

They will consider whether to abandon the cull in the light of a new analysis showing it will make little difference to the rapid decline in the bovine spongiform encephalopathy epidemic. The other option is to revise the slaughter numbers yet again, even though the goal of an early lifting of the European Union's beef export ban has receded.

Whichever way it jumps, the government faces a rough ride, with other EU states, or with UK farmers and Conservative MPs.

Mr Douglas Hogg, the agriculture minister, is expected to sound out other member states at next week's farm council in Brussels.

The slaughter programme – its numbers already raised by 56 per cent at the EU summit in Florence in June – must be in place before member states agree any phased lifting of the export ban imposed in March.

But since the Florence deal, evidence has emerged that about 1 per cent of cows with BSE pass it on to their calves. This was followed two weeks ago by statistical analysis from Oxford University showing that the disease will virtually disappear by 2001 and that maternal transmission is too rare to sustain the epidemic.

Some scientists are now arguing that these developments make it possible to achieve the same reduction in BSE with a much more limited slaughter.

The Oxford work strengthened the hand of UK opponents of the cull. They say the government agreed to something at Florence that has now been shown to be unnecessary.

Abandoning the cull would appease these critics. But it would also mean accepting that the export ban would probably remain until BSE has all but disappeared from the UK at the turn of the century.

The UK believes such a move is more likely to cause relief than outrage in the EU, where the main concern is to stabilise the beef market. Rows with the British government keep BSE in the news, further undermining consumer confidence in beef.

But at home, abandoning attempts to lift the ban would lay the government open to accusations of a costly U-turn. Mr John Major, the prime minister, has invested enormous political capital in getting the ban lifted.

The view in Brussels is that the summer's events – including the evidence that BSE can be transmitted from cow to calf and suggestions it could have jumped the "species barrier" into sheep – have hardened positions in EU capitals in favour of a bigger cull.

But increasing the size of the slaughter would incur the wrath of the UK rural community.

Instead, EU officials expect the UK to argue for a smaller cull. One option considered by the government is to follow the Oxford scientists' suggestion of a reduced cull of 44,000. But it risks a fresh outbreak of hostilities with other states.

Another option is to adjust the slaughter plan to take account of maternal transmission, while keeping the overall numbers the same. This might just be acceptable to the farming unions. It is still unclear whether it would be acceptable to other EU states.

The easiest option might be to postpone a decision. But farmers need to know whether more cows are to be sacrificed before their time.

Alison Maitland
Caroline Southey

No new cases of the new variant of Creutzfeldt-Jakob disease linked to bovine spongiform encephalopathy, or mad cow disease, have been confirmed within the past three months, Clive Cookson writes.

The chairman of the government advisory committee on spongiform brain diseases, Professor John Pattison of University College, London, told the British Association yesterday that the total number of "new variant" cases was still 12, of whom three died last year, eight died earlier this year and one was still alive. They were all young adults who were presumed – but not proved – to have been infected by eating beef products during the 1980s. But Prof Pattison said it was too soon to say that there would not be an epidemic of CJD caused by BSE.

UK NEWS DIGEST

Mitsubishi plans City complex

Mitsubishi Estate, the Japanese property company, is to submit new proposals for the redevelopment of Paternoster Square, adjacent to St Paul's Cathedral in the City of London.

Its decision spells the end of plans supported by Prince Charles for a neo-classical office development on one of the UK's most sensitive urban sites.

The existing development was built in the 1960s after the area was heavily bombed in the second world war, but has been widely criticised for many years.

Mitsubishi has appointed a five architects to design new buildings for Paternoster, which is the largest single development site in the City and has potential to accommodate up to 63,000 sq m of shops and offices.

In the late 1980s Prince Charles in effect blocked plans for a modernist redevelopment which he described as "deeply depressing". A new planning application is expected to be submitted by the end of the year to the Corporation of London, the City's local authority. *Simon London*

■ AEROSOLS

Output outstrips European rivals

Aerosol output in Britain increased by 20 per cent last year to a record 1.3bn units because of greater concentration of manufacturing by multinational producers, the British Aerosol Manufacturers' Association said yesterday. The positive 1995 UK figures compare with a 9 per cent production decline in both Germany and France, the biggest aerosol producers in Europe after Britain.

"The healthy UK production figures are due to world leaders ... choosing to centralise their production in this country," said Ms Sue Rogers, director of the BAMA. "This is a result of the European single-market in action," she said.

Companies that have centralised production in the UK include Gillette, Reckitt & Colman, Procter & Gamble and Elida Fabergé.

"These companies have favoured the UK because we have the biggest aerosol home market in Europe, while at the same time the British economy has encouraged inward investment," said Ms Rogers. UK exports have risen from 10 per cent of production in 1994 to 36 per cent last year. *Alexandra Capelle*

■ FISHING QUOTAS

Labour 'would contest claims'

The opposition Labour party said yesterday it would contest claims by Spanish fishing vessel owners for as much as £30m (£47m) in compensation from the UK if it won the next election.

The controversial Spanish case, which opened in the High Court yesterday, will not be heard in full until after the election, in June or July next year.

The vessel owners are claiming compensation for losses incurred when they were unlawfully excluded from British waters between 1989 and 1991. As "quota-hoppers" – fishermen from outside the UK registering in Britain to take up national fishing quotas – they are fiercely resented by the UK fleet.

Mr Elliot Morley, Labour's fisheries spokesman, said Labour would fight the case, but added: "We very much fear we're on weak ground." He said Labour warned the government in 1988 to deal with quota-hoppers by limiting fishing licences rather than by nationality restrictions in its Merchant Shipping Act. *Alison Maitland*

■ VALUE ADDED TAX

Budget may target loopholes

The UK treasury has signalled that the government is preparing to close value added tax loopholes after discovering that millions of pounds of revenue have been lost because companies have become more adept at exploiting them.

A joint study launched early this year by the British Customs and Excise Department and the Treasury has concluded that an upsurge in corporate tax "planning" is a key reason for the recent shortfall in VAT revenues. In the 1995-96 financial year alone, for example, the revenues were some £5bn ($7.80bn) lower than they had been forecast 18 months earlier.

The study's conclusion will increase the pressure on the government to use the next national Budget in November to try and restrict some tax schemes – particularly on VAT.

Mr Mike Fountain, head of VAT at Coopers and Lybrand, the accountancy firm, said that while businesses would not be too worried about any moves to stop tax abuses "they would be concerned at anything which restricted their ability to legitimately plan for tax". *Gillian Tett and Jim Kelly*

Editorial Comment, Page 13

■ PRIVATISATION

AEA Technology price announced

The government yesterday published a price range for the flotation of AEA Technology which would enable it to raise between £192m ($299.52m) and £216m from the September 26 placing. A price range of 240p to 270p is in line with previous estimates that the company – whose activities range from decommissioning nuclear reactors to measuring air quality – would raise about £200m.

Based on analysts' forecasts of earnings per share of 18.4p in the year to March 1997, the range makes for a prospective price-earnings ratio of 13 to 14.7. Although it is comparable to a p/e ratio of 14 for the market as a whole, it represents a discount to the multiple of 20 for the support services sector.

Mr Nyren Scott-Malden, analyst at investment bank BZW, said: "The company is an unknown quantity whose improved results have come not from sales growth but cost-cutting."

A final offer price and details of how shares will be allocated will be published on September 25. *Layla Boulton*

In the eye of the storm

Victoria Griffith on a computer which can pinpoint hurricanes

When Hurricane Bertha ripped through the North Carolina coast earlier this summer, the National Hurricane Center in Miami was delighted.

The Center was not indulging in *schadenfreude*, but was applauding the accuracy of its forecast. While meteorologists are typically 100km or more out, Bertha made landfall within several kilometres of the predicted location.

Hurricane Fran, which devastated the North Carolina coast last weekend, and Edouard, which scraped New England in early September, hit within 50km of the predicted points.

A new computer programme, called the GFDL model after the US Geophysical Fluid Dynamics Laboratory where it was developed, takes most of the credit for the better forecast.

The model has improved hurricane predictability by 20 per cent, according to its main user, the National Hurricane Center. "That's as much improvement as we got in the preceding 20 years," says Naomi Surgi, research meteorologist at the Center.

The GFDL was designed in the late 1980s for research purposes but its users noticed that it provided superior storm-tracking capability. Since becoming operational in July 1995, the system has provided surprisingly accurate predictions.

The adoption of GFDL promises big economic savings because its greater precision should encourage people to prepare for storms. It costs at least $1m (£640,000) per mile to enforce an evacuation, according to Walter Peacock, a professor specialising in hurricane damage at Florida International University. The figure mainly represents lost business as workers and tourists flee.

"If predictions are more accurate, they'll be taken more seriously," says Peacock. "By boarding up and using shutters, you can avoid some damage."

He adds that additional lives would be saved, were residents and visitors to pay more heed to evacuation orders.

The GFDL is a big step forward from old climatology models, which use historical data to predict a hurricane's path. "The problem is that a hurricane's path usually has nothing to do with historical information," says Robert Tuleya, one of the developers of the computer programme at the Geophysical Laboratory.

The new model also beats more recent programmes which track real-time data. In the past, meteorologists lacked the computer power needed to process information about the storm. The GFDL resolves that problem by concentrating the computer's capability on the hurricane's centre rather than the surrounding areas.

The GFDL's forecasting capacity is set to be boosted further. The National Hurricane Center is about to launch a new hunter aircraft to fly over storms. It can reach 45,000ft and will gather data by releasing small computers into the storm winds.

"One of the main problems in hurricane prediction is that they tend to form in the middle of the ocean, where we have no meteorology bases," says Surgi. "With more data, the GFDL should perform even better."

But the GFDL does not address all the problems of hurricane forecasting. One of the most important challenges, for instance, is predicting strength as well as direction. Its shortcoming in this area was made clear one week ago when Edouard weakened into a mild storm before hitting the Massachusetts coast.

Even with better prediction, hurricane damage will not be avoided completely. "The biggest problem occurs many years before the storm strikes, with poorly-constructed houses and buildings," says Peacock. "No computer programme will eliminate human stupidity."

Elsterberg: Akzo would never move capacity to eastern Europe to evade environmental standards, says van Lede

Labour costs have replaced green issues at an Akzo Nobel plant in eastern Germany, says Leyla Boulton

Monument to a change of heart

"This was an industrial museum, if not a graveyard," says Cees van Lede, chairman of Akzo Nobel, the Dutch chemical group, commenting on his company's acquisition of a viscose plant in eastern Germany. "We just about had to tear down the whole thing and build it from scratch."

The result at the Elsterberg site in Saxony is a spanking new plant, interspersed with a few crumbling ruins from the pre-reunification Communist era.

Pollution and employment are both sharply down at the plant, while productivity has risen six-fold since Akzo Nobel acquired the factory three years ago.

But in spite of investing DM160m (£69.5m) in the plant to achieve such results – much of it subsidised by the German taxpayer – Akzo Nobel is now planning to move half the plant's 460 jobs to Poland to cut labour costs.

Of the DM160m, DM90m was spent on reorganising the plant, DM60m on environmental protection, and DM10m on restoring buildings and revamping the sewerage system. The company says this amounts to investment of more than DM340,000 per job.

Akzo Nobel claims that a confidentiality-clause with Treuhand, the state authority which sold it the plant, prevents it from revealing how much of that was subsidised by the state.

But in the light of the row between the European Commission and the German government over Saxony's state aid to Volkswagen, the plan to move jobs from Elsterberg to Poland raises further questions about the usefulness of such handouts.

Akzo Nobel's commitment to keep the present level of jobs at the plant runs out at the end of this year, according to Peter Wack, responsible for the company's fibre business.

Wack says the planned move from Elsterberg is driven by increasingly fierce price competition from rivals, including emerging producers in the Ukraine. "We have no problem defending a price differential of 10 per cent to 20 per cent," says Wack. "But at 50 per cent our customers begin thinking of switching suppliers."

More generally, Akzo's plan to move capacity out of eastern Germany illustrates how labour costs have overtaken environmental considerations as a top priority for much of industry in Germany.

"Environment is no longer the only argument," says Hubert Herten, a senior Akzo Nobel executive in Germany. "You have to find a fair balance between the environment and jobs. The unemployed are now part of our environment."

With local unemployment running at 16 per cent, workers at Elsterberg are now trying to save jobs by negotiating an agreement to keep costs down. Wack says one possibility is to start alternative activities at Elsterberg.

One option would be to make it the site for a joint venture with Courtaulds, the UK chemicals group, for the manufacture of a new material called newcel.

Courtaulds' preferred site is a plant at Grimsby in the UK, where wage costs are lower than in eastern Germany. The two partners are likely to decide on the venture's location by the end of September.

Akzo Nobel is likely to argue that whatever happens to jobs at Elsterberg, the DM60m environmental component of the expenditure on the plant will not have been wasted. The most polluting part of the operation will stay at Elsterberg, with plans to move only the labour-intensive after-treatment processes to the Gorzow site in Poland.

The bulk of pollution from producing viscose comes from its production process. It is not only energy-intensive, but involves treating the viscose in solvents and releasing zinc to water.

Compared to the Communist era, the plant produces 95 per cent less dust, 70 per cent less carbon monoxide and 30 per cent less carbon dioxide. The company aims to achieve an overall cut in zinc emissions to water of 95 per cent over two years and also to cut foul-smelling emissions to the atmosphere.

Akzo Nobel is the world's biggest viscose manufacturer with a 12 per cent share of the market; part of its motivation for taking over the plant – apart from preventing a competitor moving in – was to avoid "the hassle" of seeking a greenfield site for expanding capacity. As van Lede notes: "Viscose is potentially a difficult environmental product."

Neither the company nor Kurt Biedenkopf, the premier of Saxony and something of a local hero for attracting investment and subsidies, see a conflict between environment and employment. Van Lede says Akzo Nobel would never move capacity to eastern Europe in order to evade higher environmental standards elsewhere, while Saxony's environment minister Arnold Vaartz describes environmental protection as "a strategic consideration". However, there is little that Saxony can do about labour costs.

Van Lede blames the loss of competitiveness in the former east Germany on the generous exchange rate used for the east German currency on reunification as part of efforts to rapidly raise east German living standards. The problem of high labour costs is not unique to east Germany: Akzo Nobel has already come under fire from unions for planning to move jobs from the Netherlands to Poland.

For eastern Germany, however, competition from further east has a particularly ironic twist: it threatens to turn the area into a museum once again – this time commemorating how environmental improvements were unable to save industry from high labour costs.

When the clean-up rate slows

The acquisition of the Elsterberg plant enabled Akzo Nobel to meet its target to cut heavy metals released to water five years ahead of schedule.

Although trumpeted in the company's environmental report, it is not in fact a dramatic achievement – given the scope that existed for rapid and relatively cheap improvements on the dismal environmental situation it inherited.

As Cees van Lede, Akzo Nobel's chairman, acknowledges, incremental improvements are increasingly expensive once the easy part of an environmental clean-up has been achieved.

He cites Akzo Nobel spending DM15m to improve the sulphur recovery process at its chemicals plant in Cologne from 98 per cent to 99.5 per cent. "Experiences such as this suggest that there are unlikely to be impressive quantitative improvements in environmental performance in the next few years, at least not in the west."

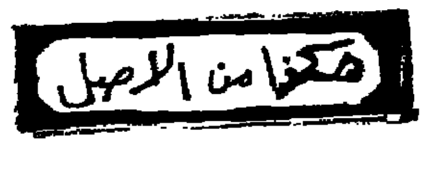
The achievement of a 20 per cent cut in heavy metals releases to water at Elsterberg – which enabled Akzo Nobel last year to meet its overall target of a 10 per cent cut in heavy metals emissions by 2000 – raises further questions about how companies set targets for environmental improvements. If the targets can be achieved that easily they are probably not tough enough.

Van Lede says 1995 was the first year for which the environmental performance could be measured for Akzo Nobel as a single entity since Akzo acquired Nobel of Sweden.

He argues that it is difficult to measure consistently the company's environmental performance because of the distorting effect of acquisitions. Measuring environmental performance per unit of production is not an answer because of the diverse nature of the group's activities.

"If you can find a solution you can sell it to me," he says. One part of the answer may be found in the fact that the company does set environmental targets for individual sites. They are not published in the company's environmental report, however.

LB



ARTS

Television in Russia/Chrystia Freeland

Talk shows with a slavic accent

Imagine Fyodor Dostoevsky teaming up with Oprah Winfrey and you will have some idea of *The Man in the Mask*, one of the slickest new programmes to hit the Russian airwaves this autumn. By putting a dark and soulful spin on the relentlessly upbeat American talk-show genre, the programme's creators have come up with a tortured hybrid which mimics the nation's broader effort to invent a consumer culture with a slavic accent.

In a striking departure from the abstract social and political scenes which dominated both drab Soviet agit-prop and the first wave of independent, post-communist programming, *The Man in the Mask* takes as its starting point the lurid private concerns which Oprah and her imitators have brought to millions of living rooms in the western world. But the cheerful and fearless exhibitionism which compels tens of thousands of westerners to expose their life stories to the television cameras has not yet caught on in the land of the gulags.

Instead, guests on *The Man in the Mask* tell their tales from the safety of pseudonyms and a black, leather mask with slits only for the eyes and lips. This disguise gives the show a sinister air which is worlds away from the bright lights and self-improving spirit of its American inspirations. Sitting isolated on a raised platform, picked out by a spotlight and wearing black hoods, on first glance the guests on *The Man in the Mask* look more like actors in some bizarre S&M flick than the enthusiastic amateurs of the US talk-show circuit.

This week's masked man, who called himself Gena but insisted that was not his real name, took the hot seat to discuss a personal problem which is familiar to western television viewers but is surely even more pertinent for its new, Russian audience: alcoholism.

In a country whose president has been accused of giving major speeches while drunk and where beer is considered so mild a beverage as to be sold in the soft drinks section, Gena's battle with the bottle was a tale that could be relied on to provoke widespread empathy. In the 51-year-old construction engineer's account, it was also a story with a few macabre Soviet twists.

Gena described how he was first introduced to vodka binges in the Komsomol, the Communist Youth League which was the junior branch of the Communist Party, where heavy drinking was an obligatory sign of group, and therefore political, loyalty. But when the drinking became too heavy, Gena was packed off to one of the notorious Soviet psychiatric hospitals, whose none-too-gentle cure for alcoholism was an injection which made it fatal for patients to down a single shot of liquor.

Like most of the Soviet economy, the technical effectiveness of this brutal treatment was marred by poor administration. Gena said the medicine worked, until one year when the doctors were too busy to give him his annual injection on schedule. It was a lapse which led to another decade of alcoholism.

But, just as the Kremlin has decided that only western-style capitalism can cure the country's economic malaise, Gena proudly declared that he has now found a made-in-America answer to his drinking problem. With a convert's zeal, he recited the 12-step programme of Alcoholics Anonymous and pointed to the shiny blue AA button, jauntily clipped on his lapel, just below his black mask.

Gena's redemptive conclusion was enthusiastically applauded by the show's suave host, Vladimir Posner. For millions of westerners in the 1980s, Posner, who speaks English like a native New Yorker, was Mr Glasnost, the Soviet commentator foreign television turn to for an instant interpretation of the tumultuous events in his strange homeland.

With his reincarnation as one of Russia's first talk show hosts, Posner has turned his old role inside out. Instead of translating the USSR for the west, he is now trying to adapt an American format for Russians. The warm studio reaction to this week's pilot programme suggests that Posner's new venture could be a success.

But there are limits. At the end of the show Posner hopefully asked Gena if, now, after hearing the audience's sympathetic response to his story, he was willing to take off his mask. "Nyet," replied Gena, and five minutes of cajoling did not make him change his mind. Struggling to stay cheerful, the disappointed Posner signed off with a typical talk show salutation which did not quite survive translation into Russian: "Thank you for sharing."

Programmes like *The Man in the Mask* exemplify Russia's aggressive effort to bring the themes and style of western entertainment television to its own screens. To the disappointment to many observers, Russian news broadcasts, which pioneered the westernising trend in the late 1980s and early 1990s, now seemed to be quietly reverting to Soviet type.

The shift is subtle. Shows like *Itogi*, Russia's most respected news programme which has built up a reputation for tough, courageous reporting, has swiftly acquired the technical polish to look more like glossy western broadcasts than the dreary propaganda of the communist era. But smooth camera work and more inviting sets cannot hide a disturbing drift back towards the political bias which made journalism a dirty word in the USSR.

The slide began during the presidential election campaign, when all of Russia's national channels unabashedly backed Boris Yeltsin, arguing that the threat of a communist comeback was too grave to allow journalists the luxury of objectivity. Now, with the election over and the communists resoundingly defeated, many of those same journalists seem reluctant to give up the luxury of a close relationship with the government.

This week's *Itogi* was an example of the politicisation of the Russian news. During the election campaign, when the presidential team was desperate to win over the 15m voters who had backed Alexander Lebed, Russia's security chief, in the first ballot, *Itogi* was crucial in building the former paratrooper into a national hero. But now, with the voting over and Yeltsin on the verge of a serious heart operation, Lebed has become a threat to the Kremlin's established politicians, who fear the newcomer could become Russia's next president.

The remarkable ceasefire which Lebed has negotiated in Chechnya has made it difficult for government rivals to openly attack him. So *Itogi* has stepped into the breach, prominently airing a lengthy report which compared Lebed to Napoleon, then went on to instruct Russian viewers that their country is too mature and democratic to choose a Napoleon as its leader. To make the message clearer still, *Itogi* proceeded to draw parallels between Lebed and General Alexander Rutskoi, the Russian vice-president who led a parliamentary rebellion against Yeltsin in 1993.

There is nothing novel, or objectionable, in *Itogi*'s equation of Russia's new security chief with Napoleon and Rutskoi, comparisons which has been drawn by hundreds of western observers with no stake in Russia's political battles. What is disturbing is how faithfully *Itogi*'s shifting assessment of the reserve general has followed the changing needs of Russia's ruling political establishment.

Behind the protection of their disguises, the masked men of Russia's talk shows are finally daring to discuss social problems with a frankness which was forbidden in the Soviet era. It is sad that at the same time some of the most famous faces of the Russian airwaves seem to be putting the political blinkers of that epoch back on.

Theatre/Alastair Macaulay

Haunted by the Ratcatcher

The ideas in Diane Samuels's play *Kindertransport* are interestingly uncomfortable; and ideas, I have sometimes heard, are what makes a good play good. The *kindertransport* of the title took Jewish children from Germany to safety; but this caused lifelong psychological scars in some of those children. In this play, Eva, whom her loving mother Helga sends away, arrives in England, and is tended by Lil. After waiting for years without a word, she becomes Evelyn, is adopted by Lil, and is baptised.

When Helga materialises after the war, wanting to take Eva/Evelyn to a new life in New York, Evelyn resists. Staying in England, she suppresses this whole story until, at the start of this play, her own daughter Faith comes across some of the old papers in a trunk. For Evelyn, the memories of leaving home without parents bring back the recurrent terror of the old German tale of the Ratcatcher, which haunts her again now.

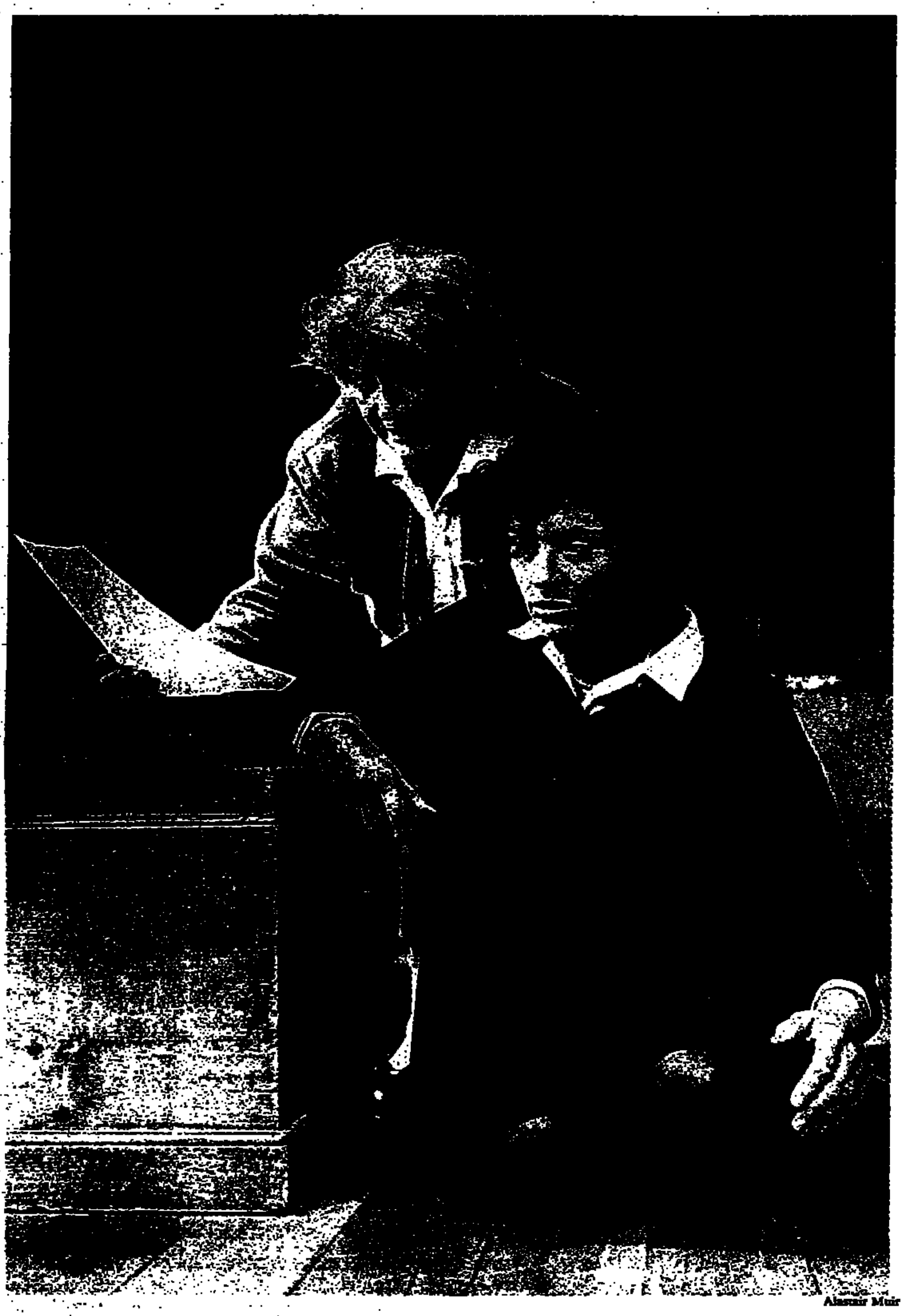
Ideas, however, can never be all. What makes a play is the tension between its ideas and its style. *Kindertransport* – new this spring at Watford's Palace Theatre where David Murray reviewed it, and now arriving in the West End – alternates impressively between past and present, between Germany and England. Helga and young Eva speak without accents while conversing in Germany. On arrival in England, however, young Eva speaks only German to the very English Lil, and then acquires English, using a German accent that gradually diminishes. Later, too, Helga, arriving here, speaks German to her daughter, first, and then heavily accented German – whereas the anglicisation of Evelyn is, by this point, virtually complete. These ironies all make a strong impact.

But melodrama keeps welling up, especially in metaphors. "Look at these remains!" cries Faith as she sees the papers her mother has torn up, "Where is the body to these feet?" Then, when the adult Evelyn addresses her mother Helga again, she says "You were the Ratcatcher!" (Helga, by now harrowed by this filial betrayal, responds: "You finished what Hitler began".) Another feature of Samuels's style is her way, amid a generally realistic play, of composing dialogue for two people like very long rallies in tennis: you say your sentence, I say mine, and so on, and only one at a time. This method is based on, though not identical to, the classic device of *stichomythia* in Greek tragedy. In Samuels's hands, it becomes slick, neat, irritating; you long for the rally to end, just to return to a feeling of reality.

Perhaps this method would work better in a more entirely stylised production. Abigail Morris, who directs, gives realism more or less the upper hand throughout. Most of the big scenes are played with welcome restraint, though I could do without the few occasions when whichever person is suffering at the time turning her face out front to show us the extent of her pain.

Diana Quick is Evelyn, Jean Boht is Lil, and Sian Thomas is Helga: three intelligent and sensitive performances, but each in need of further fine-tuning. Julia Malewski as the young Eva/Evelyn, though she needs to pace her early scenes yet more surely, acts touchingly and with an exceptional degree of linguistic accomplishment. Dido Miles, if a little stiff, catches the perplexity of the adult Evelyn's adult daughter Faith. *Kindertransport*, written by one woman and directed by another, is an interesting but immature play – I wish it would move further in at least one of the several directions it faces – but among its several virtues is the fact that it provides five challenging roles for women.

Vaudeville Theatre, WC2.



Alastair Muir

Interestingly uncomfortable: Jean Boht and Diana Quick in 'Kindertransport'

London New Play Festival

Exciting voices

The eighth London New Play Festival has moved out of the pub theatres and into the comparatively sober and more spacious studio theatres.

A triptych of 20-minutes plays, "Gay Marriage in Suburbia", launches the first programme at the Young Vic. In it, Tim Blackwell's *Thinking Ahead* intercuts two monologues of gay young men mulling over their imminent wedlock to each other. Laura Bridgeman's *Maison Splendide* curiously has two lesbians house-sitting for a debt-collecting gangster who find 1970s disco costumes, a karaoke machine, and the confidence to pledge their undying love to each other in front of garden gnomes. Tom Minter's fantasia *Semper Suburbia* shows the neighbours prying into a pianist and his diva's affair – the diva is played by transsexual Ivan Cartwright. Perversely these pieces highlight how ordinary a gay relationship is in the middle of drab suburbia, however colourful they may seem to the ignorant locals.

Sara Clifford's *Tonguetied*, an impressive one-act political drama, tells the simple story of a son's rejection of his mother when she humiliates him by becoming a public enemy: "My pen is a needle, digging into the flesh of the government," she proclaims defiantly. But thoughts are not so free. As "the detention of my mind" takes hold, this imaginative production throws video images of writing and protest, blackboards scrawled with subversion and potted histories of tortured journalists at this writer and mother. A cacophony of words haunt her. The play does sound naive at times, but it is a while since we have seen such vital, political and moral theatre on the fringe. This is a play of conscience.

British playwrights have often been the scourge of the fouler excesses of society. Anthony Neilson has written an unsettling yet morally cleansing play, *Hoover*, which sucks up our carnivorous anxieties. Polythene-wrapped armchairs, a pre-packed fridge buttressed by limbless child mannequins, occupy an odd but clean world where, behind each door, a blue fly-light zaps blue-bottles. Even the Hoover appears to breathe.

"It's greasy out here, you can hardly see the sun," says the daughter arriving home to see her mother: "You shouldn't eat the digestives, they've got animal fat in them". The air is thick with incinerated cows, and food is so scarce that even cauliflowers are rationed. Just as you have caught up with Neilson's imagination, he takes another leap. The toilet cistern, which sits centre-stage, speaks: it is the mother's dead son. He wants to be resurrected, but needs "meat and two". Thus begins the mother's odyssey into the underworld of black-marketeers, meanwhile her daughter's duffle-coated vegan fiancé transforms into an electric-drill-wielding psychopath.

This is an accomplished, gnawing satire in a peculiarly anarchic, Ortonesque way. How exciting it is to hear such a range of voices in one evening.

Simon Reade

At the Young Vic until September 14 (0171-928 6363). Details of the rest of the festival until October 5 (0171-209 2326).

Barbican move for Royal Opera

The first company likely to replace the Royal Shakespeare Company when it quits the Barbican next summer is the Royal Opera, Covent Garden. Agreement has been reached for the opera company, which will be homeless after next July, to play a short season there in September. When the RSC leaves the Barbican for the summer months next May the theatre will be closed for adaptation into a dance house, capable of staging opera.

The Royal Ballet seems certain to be performing at the Coliseum next summer, following the successful dance season held there in recent weeks.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Cobra en het Stedelijk: exhibition of paintings and sculptures from the museum's collection by participants of the international art group CoBrA. The 150 works on display span the period from 1948 to 1962. Included in the exhibition are 17 works by Corneille which were donated to the museum by the artist last year; to Sep 15

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and pianist Zoltán Kocsis perform works by Ravel, Mozart and Bartók; 8pm; Sept 12, 13, 14

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● Apropos Scheherazade: a choreography by Maurice Béjart to music by Ravel/Stravinksy/Rimsky-Korskavov, performed by the Staatsballett Unter den Linden. Soloists include Kammerloher, Scherzer, Thiel and Liu; 7.30pm; Sep 12

OPERA
Komische Oper Tel: 49-30-202600
● Die Zauberflöte: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper. Soloists include Grabowski, Schellenberger and Rogge; 7pm; Sep 12

■ COLMAR

EXHIBITION
Musée d'Unterlinden Tel: 33-89 20 15 50
● Otto Dix et les Maîtres Anciens: exhibition focusing on Otto Dix (1891-1969) and the influence of 15th and 16th-century German painters on his work. The display features 20 paintings and more than 100 drawings by Dix, as well as a number of reproductions of works by such artists as Cranach, Dürer, Baldung, Grünewald and Holbein; to Dec 1

■ COLOGNE

EXHIBITION
Römisch-Germanisches Museum Tel: 49-221-2212144
● Lewis Hine – Die Kamera als Zeuge: exhibition of photographs by the American sociologist Lewis Wickes Hine (1874-1940). Among the works on display are his photographs of American immigrants on Ellis Island, child-labour, and the construction of the Empire State Building; from Sep 13 to Nov 24

■ COPENHAGEN

OPERA
Det Kongelige Teater Tel: 45-33 69 69 69
● Serse: by Handel. Conducted by Reinhard Goebel and performed by the Royal Danish Opera. Soloists include Derek Lee Ragin, Agnethe Christensen and Dana Hanchard; 8pm; Sep 12, 14, 16, 18

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● National Symphony Orchestra: with conductor George Tintner and pianist Peter Donohoe perform works by Bruckner and Mozart; 8pm; Sep 13

■ HELSINKI

CONCERT
Finlandia-talo – Finlandia Hall Tel: 358-0-40241
● Helsinki Filharmonia: with conductor Okko Kamu and violinist Pekka Kuusisto perform Sibelius' Tapiola, Op.112, Violin Concerto and Symphony No.1. Part of the Helsinki Festival; 7pm; Sep 12

■ LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● Chicago Symphony Orchestra: with conductor Daniel Barenboim perform works by Schoenberg and Bruckner. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Sep 12
Wigmore Hall Tel: 44-171-9352141
● Skampa Quartet: with clarinettist Michael Collins perform works by Haydn, Eben and Mozart; 7.30pm; Sep 12

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor Lawrence Foster and violinist Alexander Treger perform works by Mendelssohn and Brahms; 8.30pm; Sep 12

■ NEW YORK

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Berenice Abbott: Portraits, New York Views, and Science Photographs from the Permanent Collection: exhibition featuring works by the American documentary photographer Berenice Abbott (1898-1991). Drawn from the ICP's permanent collection, the exhibition presents a selection of about 65 photographs from three distinct phases of her 60-year career; from Sep 13 to Nov 3
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Winslow Homer: retrospective exhibition featuring approximately 180 paintings, watercolours and drawings by the 19th century American painter; to Sept 22.

■ PARIS

EXHIBITION
Institut Néerlandais Tel: 33-1-53 59 12 40
● Avant-première d'un musée – le Musée d'art contemporain de Gand: this exhibition features 60 works from the collection of the Musée d'art contemporain in Ghent, Belgium. Artists represented include Beuys, Boltanski, Broodthaers, Dumas, Fabre, Fontana, Gilbert & George, Kounellis, Nauman, Panamarenko, Richter and others; from Sep 12 to Oct 27

■ RIVOLI

EXHIBITION
Castello di Rivoli Tel: 39-11-9581547 /9587256
● Max Ernst – Sculptures: exhibition featuring more than 60 sculptures, most of them in bronze, created by Max Ernst from the 1930s through the 1960s. Also included are 120 photographs of the artist by contemporary photographers such as Man Ray, Bill Brandt, Henri Cartier-Bresson, Berenice Abbot, Ugo Mulas, Frederick Sommer and Irving Penn; to Sep 15

■ STOCKHOLM

CONCERT
Stockholms Konserthuset Tel: 46-8-7860200
● Filharmonikerna: with conductor Vassily Sinaisky and violinist Sarah Chang perform works by Nystroem, Prokofiev and Tchaikovsky; 7.30pm; Sep 12

■ TOKYO

CONCERT
Suntory Hall Tel: 81-3-35849999
● Japan Philharmonic Symphony Orchestra: with conductor Marcello Viotti and violinist Alyssa Park perform works by Martin and Hindemith; 7pm; Sep 12, 13

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Rigoletto: by Verdi. Conducted by Simone Young and performed by the Wiener Staatsoper. Soloists include Andrea Rost, Ruxandra Donose and Giuseppe Sabbatini; 7pm; Sep 12

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor/pianist Justus Frantz perform Mozart's overture to Don Giovanni, Piano Concerto in A major, K488 and Symphony in E flat major, K543; 7.30pm; Sep 12, 13

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Tel: 31 20 664 6441. E-mail: artbase@pi.net

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Case for operating

The Ulster peace process may be a false prescription based on a false diagnosis. But is there an alternative?

Medical analogies appear unavoidable in discussion of human conflict, from "surgical strike" to "binding of wounds". Especially fashionable at present is the notion that, with war as with disease, "prevention is better than cure".

A book on this theme to be published next week* includes a chapter in which John Hume, leader of the Social Democratic and Labour party, Northern Ireland's moderate nationalists, writes: "People want cures but we do not like undergoing operations... It is surprising what some people will tolerate in terms of toothache before submitting to a dentist."

The analogy is clear: violence is the "toothache" by which Northern Ireland is plagued. The "operation" to which the patient must submit is constitutional change, involving the renunciation of long-cherished symbols, privileges and aspirations.

Last weekend, at the annual conference of the British-Irish Association in Oxford, another Northern Irish politician took up the medical analogy, in a way that Mr Hume (who was not present) would hardly relish. John Alderdice of the Alliance party, "a psychiatrist married to a pathologist", gave what sounded ominously like a post mortem on the peace process.

Newly enobled as Lord Alderdice, he said he had always had doubts about the diagnosis on which the peace process is based. According to this diagnosis, which Mr Hume has done more than anyone else to promote, violence is caused by republicans' belief that non-violent constitutionalism provides no outlet for their legitimate demands and grievances. From this follows a "treatment" aimed at persuading them otherwise and bringing them into all-party talks.

The Alliance leader said he had suppressed his doubts after the IRA ceasefire. But two years into the treatment, "the patient hasn't been too well". The time had come to review the diagnosis. It was increasingly clear that many republicans did not accept the right of the majority in Northern Ireland to decide its own future as a price worth paying for peace.

Worse, focusing on the extremes had led to a weakening of the "broad centre". In fact, said Lord Alderdice, the province is now experiencing "a deeper level of division and sectarianism than for many years". Not only did the two communities not understand each other, but "neither side is any longer *interested* in understanding the other side. It's a profoundly malignant situation."

On that point, at least, every other speaker at the conference agreed with him. The confrontation at Drumcree in mid-July over a unionist march through a nationalist area has revived (or revealed) a bitter polarisation among ordinary people, not only political militants. The mass demonstrations for peace which greeted President Bill Clinton's visit last November are all but forgotten. If new elections were held now, extremist parties would probably do even better than they did in May.

It is possible, Lord Alderdice concluded, that the situation is already irretrievable: "If we simply continue the way we're going, both unionists and nationalists will be convinced they can only achieve results with the threat of violence." The only way this might yet be avoided was "to move the focus away from the extremes at both ends".

On that point many nationalists disagree. They hope to persuade the IRA to restore its ceasefire by showing that there is a role for Sinn Féin in the multi-party talks which resumed this week. But there is also a growing realisation that if moderate unionists and nationalists cannot speak to each other there will be no peace process to bring the extremes into.

The one development of the last week that brings hope is the beginning of a dialogue between the SDLP and the Ulster Unionists. Their aim is to find a formula to save the talks from paralysis over the issue which delayed their start – when paramilitary forces should "decommission" their weapons.

Resolving that issue, after so much emotion has been invested in it, will not be easy. Even if it can be done, the two parties remain far apart on the "north-south" dimension – the extent to which cross-border institutions can give the Dublin government some role in Northern Irish affairs. The SDLP is not looking for anything very substantive in this area – more a symbolic recognition that Ireland as a geographical unit is central to the identity of Northern Irish Catholics. But unfortunately it is that symbolism which unionists find it so hard to accept.

Time is running out. Few people think there is any hope for the talks if significant progress is not made within the next month or two. Already there is a temptation to wait and see what next year's general elections in the UK and the Republic might produce. Yet no one really believes a new government in either London or Dublin would come up with a significantly different policy.

Sir Patrick Mayhew, the UK Northern Ireland secretary, has already announced his intention to retire at the election. Meanwhile he is making one last effort to keep the peace process alive. After listening to his brave profession of "sober hope" at the Oxford meeting, one Northern Irish participant asked him "What's Plan B?"

Of course Sir Patrick did not answer. You cannot talk about Plan B as long as you are trying to make Plan A work. But in this case few believe there is a Plan B, or that if there were it would work any better.

**Preventive Diplomacy: Stopping Wars Before They Start, edited by Kevin M. Cahill. Basic Books, $25*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Ethical investment not perfect

From Ms Karen Eldridge.

Sir, You report the Economic and Social Research Council's findings that "'ethical investors' are prepared to make only limited financial sacrifices to appease their consciences and they often invest knowingly in companies involved in morally questionable activities" ("Stakes held 'to appease consciences'", September 9).

This strongly implies that perfection is the only approach to ethical investment that has integrity. As Craig McKenzie points out, ethical investors are not "holier than thou" people; they are ordinary investors who are doing what they can to put their principles into practice.

You also report that the ESRC researchers "heard a variety of 'excuses' for holding non-ethical investments". These are not excuses, they are reasons. A reason that is not mentioned in your article is that the ethical investors interviewed might have invested before they had heard that they could do so ethically.

After all, according to research carried out by NOP for Friends Provident, only 21 per cent have heard of ethical investment. If these people had made long-term investments in products such as endowment policies or pensions, cashing them in to invest ethically could result in severe financial losses.

Also, "alternative investments" such as shared interest often have a lower than average rate of return to allow maximum support to be given to the projects they support. So it is hardly surprising ethical investors do not put all their money into such investments.

Regarding investment and unit trusts, performance surveys show that, like conventional funds, some ethical funds perform well, others less well. The problem is many financial advisers are not aware of this, and perpetuate the myth that ethical funds cannot perform as well as those selecting from an unrestricted universe.

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Motorcyclists upset by EU proposals

From Mr David Delaney.

Sir, I recently witnessed in Brussels a remarkable demonstration of European unity: 35,000 motorcyclists held a rally against the European Commission's proposals for a raft of new regulations.

It is ironic that the desire to impose unity in Europe produced such a united movement against it.

The EU proposals include: a one-year driving ban on learners who do not pass their test within a two-year period; home maintenance of vehicles to be illegal; an end to engine tuning; a strict MOT whereby any functional part, even safety improvements such as better brakes, not subject to costly type-approval will lead to failure; a ban on cheaper after-market spares; worn tyres can only be replaced with original equipment; a 78-decibel noise limit which will outlaw two-stroke and air-cooled engines; a maximum engine power limit; a re-cycling directive which will lead to fewer second-hand parts dealers; a ban on British Standards Institute-approved tinted visors; etc.

Once these proposals have been enshrined in law then the precedent can be used by the European Commission to extend many of them to motoring in general, just like the trial of the Poll Tax in Scotland. The legislation will be just as unpopular. It is certainly upsetting the motorcycling fraternity.

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Too short-term for UK supermarket group

From Mr Mark Mortimer.

Sir, While I am in no doubt that the Lex column is an admired piece of critical journalism that shapes many business leaders' opinions, it is unfortunate – for the FT – and, I suspect, Tesco – that the Lex columnists turned to writing as a career and not to supermarket management. Long-term strategic management decisions are required in the latter, leaving little room for the short-term outlook recently displayed in Lex, where the view on Tesco's expansion into continental Europe changed from "... could continue to make investors sea sick" ("Tesco leaves the Docks", July 23) to "The attempts by ... Tesco to build overseas retail businesses look increasingly sensible" ("Safeway/BP", September 7).

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Few regret diamond agency loss

From Mr Anders Aslund.

Sir, Chrystia Freeland and Kenneth Gooding lament the abolition of the Russian State Committee for Gem Stones and Precious Metals (Komdragmet) by a presidential decree of August 14, "not yet published" ("Jitters as Russia closes diamond agency", August 30).

The article is sadly flawed. Presidential decree 1177 of August 14 dismantling Komdragmet was properly published in the daily official gazette *Rossiiskaya gazeta* on August 16 – two weeks before the FT article. This decree deals with "the Structure of the Federal Organs of the Executive". It abolished 28 ministries, state committees and other state organs. This important reorganisation of the government has been discussed all summer in the Moscow press, and the main regrets are that not more bodies were dismantled.

Authorities collecting federal revenues, such as those parts of Komdragmet, should be controlled by the Ministry of Finance to enhance the ministry's control over federal revenues, which Russian reformers and the International Monetary Fund have long demanded.

The abolition was a long expected step, and the purpose is to stop economic malpractices, which are believed to have proliferated in the disreputable Komdragmet. Obviously Komdragmet's former head, who appeared to be the only source of the FT article, regrets its demise, but few others do.

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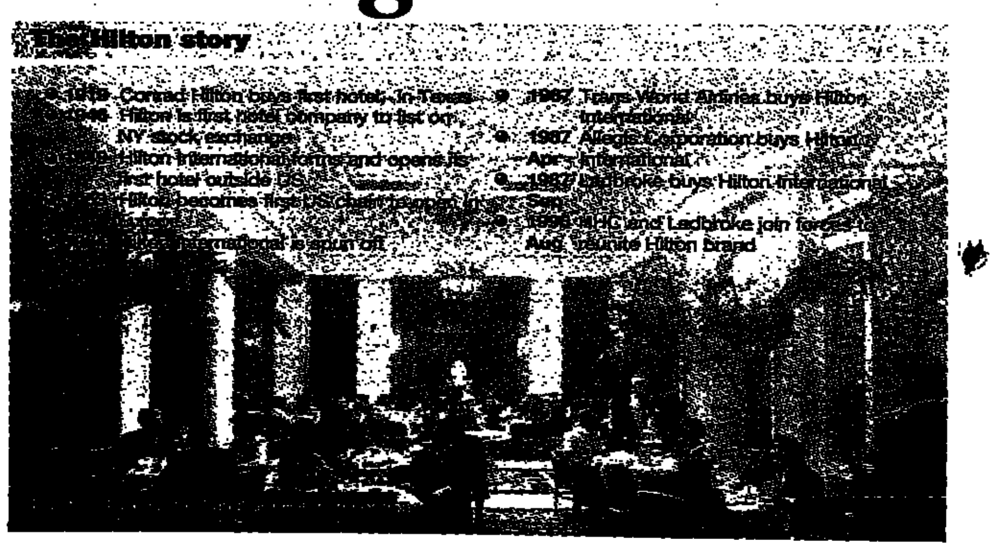
Marketing · Scheherazade Daneshkhu

A brand of togetherness

The co-owners of Hilton hotels are uniting to reposition the chain's identity



The word "Hilton" used to conjure up the best in luxury hotel service and accommodation. But more recently, Hilton's image as an international high-quality hotel chain has lost some of its sparkle.

Confusion about what Hilton stands for stems from its policy on sub-branding and its split ownership between Ladbroke, the UK hotels and betting company, and Hilton Hotels Corporation (HHC) of the US.

In an attempt to restore and exploit Hilton's potential, Ladbroke and HHC last week agreed to create a new single identity for the chain by co-operating on sales, marketing, loyalty programmes and the development of new hotels.

Inconsistencies in the Hilton brand have been apparent for some time, says Mr Mike Platt, commercial affairs director of Hogg Robinson, the business travel agency. "Some of our customers react by saying they cannot afford a Hilton while others say they want somewhere smarter," he says.

For a brand which wishes to convey a global image, there is nothing worse than creating customer confusion, says Mr Adrian Day, executive director, corporate identity at Landor Associates, the US design company.

He believes that Hilton has suffered from a refurbishment programme that has taken "perhaps taken too long" and from two different logos. "If you look different, customers perceive a difference in service which can lead them to question the strength of the worldwide brand. That is why it is important to have a single global identity," he says.

The Hilton story is a complex one. When Conrad Hilton bought his first hotel in Texas in 1919 he built up what became the first hotel company to be listed on the New York Stock Exchange, in 1946. Three years later, Hilton International was formed as a separate subsidiary to turn the group into a global company. It expanded into Latin America and then Europe in 1953, with the Castellana Hilton in Madrid.

But in 1964 the brand was split when Hilton International was spun off as an independently quoted company under an agreement which gave HHC the rights to the Hilton name inside the US and Hilton International the sole use of the name outside the US.

Trans World Airlines bought Hilton International in 1967 and sold it 20 years later to Allegis Corporation, the parent of United Airlines and Hertz, the car-hire group. But Allegis sold it to Ladbroke just a few months afterwards for $1.1bn. Ladbroke then rebranded some of its UK hotels as Hilton National.

Given its chequered history, the Hilton brand has survived remarkably well, says Mr Andy Milligan, a director at Interbrand, the UK-based brand consultancy. In a survey by Interbrand, Hilton emerges as the sixth best-known brand in the leisure and travel market, after Disney, British Airways, Singapore Airlines, Hertz and Club Med.

"Operating an international brand owned by two separate companies can lead to dissonance with the development of the brand internationally," says Mr Milligan. "But it is difficult to think of a more well-known and reassuring brand internationally than Hilton and its quality has never really been seriously undermined."

But others say that the brand has suffered from a lack of investment. Last year Hilton was replaced by Holiday Inn as the top hotel brand for the European business traveller market in a survey by Business Development Research Consultants, a London-based marketing research company. Hilton had been first, in terms of brand recognition, usage and preference every year since the survey began in 1990.

Mr Jonathan Bodlender of Horwath International, a hotel consultancy in New York, says: "Hilton Hotels Corporation kept a lot of old hotels, some of which were sub-standard, and although they are supposed to have been updated, they may have debased the image that Americans have of Hilton hotels outside the US."

HHC counters by saying that in recent years it has worked hard to upgrade the national network of hotels and to ensure consistency. It has also purged the company of sub-standard franchise properties.

In the UK, Ladbroke operates 25 Hilton National mid-market hotels. But Mr Day believes that since they share the same name as the chain's smartest hotels, such as the Langham Hilton in London, guests can be disappointed. "It has not been made clear enough that these are two different brands," he says.

In re-unifying the brand, there is a danger of causing further confusion between the different types of Hilton hotels. HHC and Ladbroke propose to jointly develop a mid-market Hilton brand, which is likely to be an international version of the Hilton Garden Inns in the US. But Hilton International proposes to keep its mid-market Hilton National brand in the UK.

The legacy of the split brand raises another potential problem. HHC used the Conrad name for its hotels outside the US, while Hilton International uses the Vista brand for its hotels in the US. Hilton International, which will run Conrad hotels, says it may keep the Conrad name but add Hilton to it and market Conrad Hilton as the group's top brand.

Mr Paul Steele, senior vice-president of sales and marketing at Hilton International, says the Hilton name may not be attached to all the sub-brands. "We are trying to identify ways of keeping the benefits of the Hilton name without swamping the individuality of these products by forcing Hilton on them."

Mr Marc Grossman, senior vice-president of corporate affairs at HHC, acknowledges that product differentiation will be a challenge but says the agreement will allow both companies to capitalise on the name. "Instead of a situation in which two different companies are trying to put together their different brands, we and Ladbroke start off with sharing a brand name," he says. "The goal is to maximise the brand and the details will receive a great deal of attention."

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday September 11 1996

The fate of Nazi gold

Yesterday's report by the UK Foreign Office on the fate of gold looted by the Nazis shows us nothing more than the tip of an exceedingly ugly iceberg. But it contains enough evidence to make a compelling case for a deeper investigation.

The report confirms the suspicion that after the war, the allies were less than zealous in pressing the government of Switzerland to hand over the illegally acquired bullion sent to that country by the Nazis. In their haste to cut a deal and avoid a bitter commercial and diplomatic row, the US, Britain and France waived all further claims against Berne after settling for SFr250m (then $60m), a fraction of the value of the German gold Switzerland was known to be holding. In its most striking revelation, the report quotes the Swiss National Bank governor as telling the allies that "the total amount of gold originating in Germany but held in Swiss banks" – a somewhat ambiguous formula – amounted to $500m, nearly $6.5bn at current prices.

The paltry compensation paid by Switzerland – and the fact that no other neutral country was called to account for its financial dealings with the Nazis – depressed the amount available to settle claims by governments of countries that suffered occupation and looting. This in turn made it easier for the allies to justify their flat refusal to compensate individuals whose bullion or jewellery was seized by the Nazis.

The initial evidence, in short, would suggest that most of the gold appropriated by the Nazis has yet to be traced – essentially because no government has tried hard to find it. As long as the war was in progress, and the allies were looking for ways to paralyse the German economy, they did their best to restrict the flow of Nazi-controlled gold to neutral countries. But as soon as the war was over, and the question of looted bullion became a moral rather than a strategic one, the level of diplomatic pressure slackened.

No country emerges creditably from this story. All the governments involved will come under pressure to open more files and see whether some recompense can be made to those who have been wronged, or their heirs. While it is far too late for most of the victims, it is not too late to recognise that looted gold is a moral question, not a matter of legal niceties or diplomatic expediency.

Britain has made a start in exposing a sordid episode. Switzerland and its banks must now act fast on their promise to co-operate with Mr Paul Volcker's team of international investigators looking into the Nazi gold.

The VAT cake

The Jaffa cake problem, as some experts call it, is looming large for Mr Kenneth Clarke, the UK chancellor, as he prepares his last Budget before the election.

Jaffa cakes, it might be remembered, were the subject of vigorous litigation five years ago. The authorities claimed they were cakes, attracting value added tax at 17½ per cent, but the bakers successfully maintained that they were a biscuit and therefore, like other basic foods, tax exempt.

It might seem strange that public finances could turn on such a risible distinction. However, this is the heart of a problem that has severely reduced government revenues, now running at about £5bn less than was forecast a year ago. An unpublished government study confirms that the main culprit is avoidance of VAT. Since the shortfall in the government's revenue is equivalent to almost a tenth of the borrowing requirement, or some 2.25p off the standard rate of income tax, a big effort can be expected to plug it.

This will not be easy. After VAT was raised to 17½ per cent in March 1991, some of the UK's best brains were set to find ways of turning cakes into biscuits across a wide range of industries. Since little more than a half of economic activity attracts VAT, there was plenty of scope for shifting goods and services across the border into the tax-free zone. But schemes for tax avoidance are often unique and quite small. So it is difficult for the authorities to patrol the borders of the tax zone, especially as many schemes are perfectly legal.

If there were a blanket solution, the Treasury would have implemented it. It might, for example, give officials more discretion in disputed cases, as happens in continental Europe. But handing arbitrary powers to tax collectors does not sit easily with British notions of justice.

A better, but longer term approach must be to reduce the scope for bisc[illegible] cakes by applying VAT more widely. Extending the tax zone would cut litigation and make policing easier. This would require political courage: strong cases would be made for some exemptions; low income groups would need to be protected from the impact of a tax on necessities, such as bread; and some activities, such as financial services, would be technically difficult to bring into the tax zone.

Moreover, the main selling point of such a reform, namely the lowering of the main VAT rate from its present high level, would be limited by EU rules specifying a minimum rate of 15 per cent. Nevertheless, VAT levied at a reduced rate on a broader base would be good for the economy, good for the Treasury and would force some expensive accountants and lawyers to put their talents to better use.

Korea's future

The Organisation for Economic Co-operation and Development faces an awkward choice about admitting South Korea to membership. Now that it has failed to persuade the country to set out a firm timetable for liberalising capital inflows.

The signs are that the OECD is veering towards a political decision to admit Korea anyhow. The temptation is natural. If the OECD wants to diversify its membership into Asia-Pacific it must avoid snubbing such an important emerging economy. But the decision needs to be approached carefully.

Korea has a higher per capita income than recent OECD entrants such as Mexico, and in that sense it is more developed. But it is less liberal than Mexico in crucial areas of economic policy like capital imports. To qualify for OECD membership, Seoul has promised to liberalise capital markets fully within five years, but the commitment is contingent on stable macro-economic conditions.

To insist on this point seems churlish, given the shortcomings among OECD members themselves. Until quite recently, many leading industrial countries sheltered under a web of capital controls. Privately OECD officials admit that only Luxembourg meets every condition for full liberalisation of financial markets. But liberalisation should be a continuous process, and by the pressure which its members exert on each other the OECD plays an important role in maintaining the momentum.

The requirement, highlighted by Korea's application, is to decide at what point a country should be allowed to join. It must be one at which the commitment to liberalisation is credible: it is not clear that Korea has reached this stage. Reform can be gradual, but there must be some guarantee of momentum.

The risk in rejecting Korea's application is that its support for deregulation would then evaporate. A better way of keeping up the pressure might be to revive earlier proposals for some form of affiliate membership. This idea was proposed by the US some years ago, but met little support from other members.

Even now it would raise problems of equity because some full members who have already slipped under the net would belong more appropriately in the affiliate camp.

But the prospect of speedy graduation to full membership once reform commitments were met could keep the liberalisation process alive. It would be an elegant solution to a difficult diplomatic problem, and it would prevent the OECD sacrificing important principles for the sake of political expediency.

New recipes for growth

The young chiefs at consumer goods giants Unilever and Nestlé have different strategies for expansion, says **Roderick Oram**

Persuading Chinese farmers to buy detergents and residents of Arctic Russia to spend money on instant coffee is no mean feat for Unilever and Nestlé, two of the world's largest consumer goods producers.

But reviving turnover and profits in the mature markets of north-west Europe and north America is proving just as tough. Satiated consumers ignore the welter of marketing messages. Dubious about brands, they seek value for money in retailers' own-label products.

For years Unilever and Nestlé have loped along, using their sheer bulk and financial resources to meet these challenges. Now new and relatively young chiefs in both companies are trying to make their companies more nimble. If they fail, they will lose consumers from Beijing to Birmingham; if they succeed, the two companies will extend their dominance of consumer goods markets to the 2.5bn consumers of the developing world.

Nestlé, confident – some say complacent – about its recent performance, has entrusted the task to Mr Peter Brabeck, an Austrian with radical views on marketing. Unilever, shaken by the debacle of its flawed Persil Power detergent and conscious of its sluggish profits growth, has turned to co-chairmen Mr Niall FitzGerald and Mr Morris Tabaksblat, a risk-taking Irishman and a cautious Dutchman. Company men, the three have between them notched up almost 100 years in the two organisations.

To nourish consumers and investors, both companies are using similar recipes: leaner and autonomous management, innovation in products and marketing and a focus on core product categories.

But their approaches are not identical. Both camps talk of evolution, but Unilever wants it fast and Nestlé wants it slow.

"We have to reshape Unilever and release its energy," says Mr FitzGerald, chairman of Unilever's UK arm. "We need to open the windows a bit and let some new things in," adds Mr Tabaksblat, who heads the Dutch side.

Nestlé executives speak in more mundane terms, emphasising the need for more sales in more markets. "We must continually renovate our products whenever and wherever consumers will use them," says Mr Brabeck, looking out across Lac Leman from Nestlé's Swiss headquarters.

Since the late 1980s Unilever has lagged behind Nestlé in turnover and profit growth and thus in stock market performance. So it is resorting to more spice than Nestlé. It has overhauled its senior executive structure to clarify command lines and introduced more rigorous methods of analysing its performance.

Unilever has in the past decade become the world's biggest seller of ice-cream, with brands such as Wall's, but its cautious approach across the group to acquiring and building new businesses has been one factor behind its underperformance.

Nestlé has been more aggressive in more areas. It splashed out $3bn (£1.92bn) to become the world's largest bottler of mineral water, with brands such as Perrier, although the return on its investment remains meagre. It also doubled its chocolate business with the purchase of Rowntree of the UK; took a lucrative stake in eyecare with Alcon, the US maker of contact lenses and other equipment; and plunged into Italian cuisine by buying Buitoni.

Nestlé is also blessed with a prodigious cash generator – instant coffee. For Unilever, margarine plays a similar but less lucrative role.

Unilever says it knew what it wanted to do but did not always succeed. "Star" categories such as ice-cream and cosmetics were identified, but sometimes they were denied enough financial and human resources. "The strategy was there but the execution wasn't," says Mr Tabaksblat.

Unilever's complex board structure was blamed. Some members held both strategic and operational roles. With "too many barons and kings", decisions could be too defensive, Mr Tabaksblat says.

Under the new structure, an executive committee of seven establishes strategy and delegates operational responsibility to 14 divisional presidents. "We will get a more objective and cool appraisal of which areas produce value," says Mr FitzGerald. The main analytical tool, newly introduced, is "economic value added" which determines an operation's true profit contribution after covering a net 7 per cent cost of capital. Mr FitzGerald says the method will significantly change Unilever's view of some of its businesses. In frozen food, for example, Unilever's expertise in buying good-quality fish at a reasonable price means that processing the fish is a profitable exercise; but frozen meals are now seen as a low-value "assembly" activity.

Unilever will reduce its huge portfolio by "harvesting" some products (taking profits but reinvesting little), and selling or closing others. The group has already disposed of its processed meats and mass-market cosmetics businesses in the past 18 months.

With fewer businesses, Unilever can pour more financial, technical and human resources into those that remain. It can also concentrate its efforts on emerging markets. Two years ago Unilever said it planned to have 30 per cent of its turnover from emerging markets by 2000. It reached the goal this autumn. "We now have the momentum to carry the strategy forward at an accelerated rate," Mr FitzGerald says.

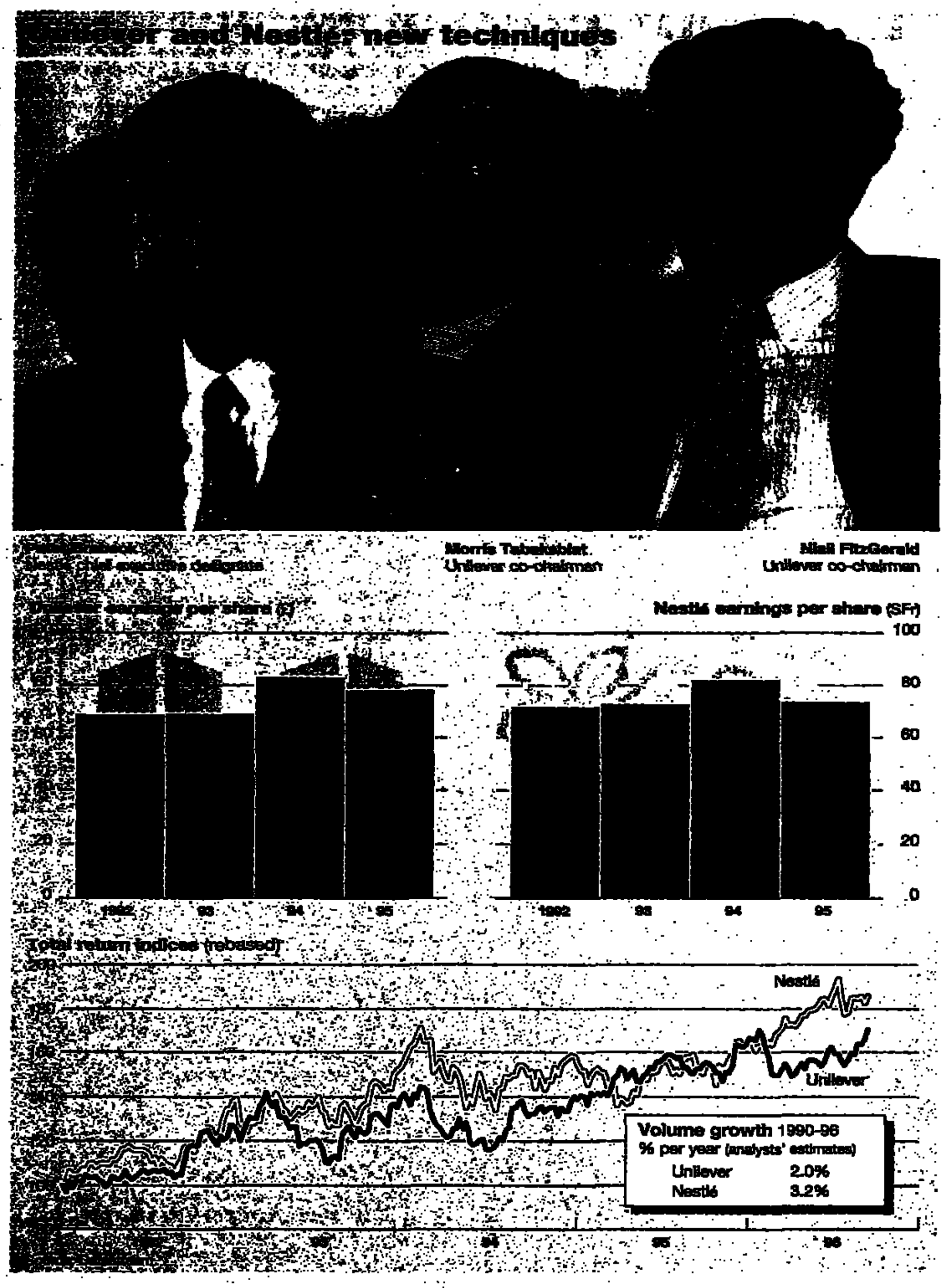
The focus on new markets has had a profound effect on research and development. In the past, a handful of big development centres created products for mature markets which were then passed on to emerging markets. Over the past few years, however, Unilever has set up a network of more than 50 centres to meet regional needs. The Latin American region, for example, is now producing "stunning levels of innovation," Mr FitzGerald says. Some new products are also flowing to mature markets. Within six months of Unilever Thailand having a big hit with Organics shampoos, the range was in production in Europe.

Nestlé draws on the same themes of management autonomy and increased investment in both established and emerging markets. But it says that it is already structured to meet these challenges and does not need to undergo radical transformation. It believes all it has to do is to get more of its products into more markets.

"We have 1.6 per cent of the world food market," Mr Brabeck says. "Two per cent market share would equal huge growth. We will take up the challenge to try to double turnover every 10 years." Some two-thirds of the growth will be organic and the rest acquisitions, reversing the ratio of the late 1980s.

Apart from disposing of wine, processed meats and a few other peripheral businesses, it will – unlike Unilever – hold on to a long tail of minor products in its portfolio if they are profitable. Nor does it not accept analysts' arguments that it should focus all its financial and managerial strengths on growth areas.

Some of Nestlé's institutional investors are particularly critical of activities that are delivering slim returns on capital. Mineral waters, for example, are only just completing long and expensive restructuring, while other investments such as stakes in L'Oréal, the French cosmetics group, and San Pellegrino, the Italian mineral water producer, are long-term propositions as Nestlé waits patiently to assume control from family owners. In other cases, such as European petfoods and global ice cream, Nestlé has still to buy or build strong positions. It remains commited to developing these businesses.



Again unlike Unilever, Nestlé is making only minor changes in senior management structure, and the transition to younger managers is slow. Mr Brabeck, 51, was named in November 1995 as chief executive from June 1997. He will take over from Mr Helmut Maucher, 68, who will remain chairman until 2000.

At this critical point, Nestlé and Unilever are each being driven by a pair of personalities whose relationships will fundamentally influence the planning and execution of each company's strategy.

Interviewed with Mr Brabeck, Mr Maucher leaves the clear impression he has set a long-term strategy his heir can follow. During 15 years running Nestlé with an iron hand, Mr Maucher has substantially enhanced profits and broadened activities. "People say I'm a dictator but that doesn't mean my people are not involved," he says. The management transition to Mr Brabeck will be "very smooth . . . for many, many years he has given his input to Nestlé policy and influenced it very much."

A gradual generation change might slow down Nestlé's response to a fast-changing world. Unilever has already removed the threat. Two years ago Mr Tabaksblat, 58, a veteran of the group's US businesses, took over as chairman of the Dutch arm from Mr Floris Maljers, an aloof intellectual. Two weeks ago, the 50-year-old Mr FitzGerald succeeded Sir Michael Perry, an experienced marketeer, as chairman of the UK arm.

At Nestlé, Mr Maucher says Mr Brabeck has a free hand. "If you follow in your predecessor's footsteps, you leave no trace," he says. But Mr Brabeck has yet to chart an independent course, while his competitors at Unilever are already trying to build a more agile consumer goods conglomerate.

OBSERVER

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the tax reform bill which would – Tan says – damage his tobacco and beer businesses. With his charmed life, the clause will probably go the way of the supreme court case.

Sprouting forth

■ Nice to see the World Bank shedding its overly American image by branching out into Europe; a reception last night heralded the opening of its new Brussels outpost.

The Bank has already dipped its toes in European waters, with a London office led by Geoff Lamb, a South African economist with a flair for the radio and television sound-bite. Taking charge in Brussels is Spiros Voyadzis, a soft-spoken Egyptian-born Greek citizen, who previously specialised in the Middle East and the Caribbean. He helpfully has Belgian connections, having spent time at BBL bank and done a stint as a Nato economist.

The Bank sees a cash-rich EU as an increasingly important partner in international development policy, but it also views Brussels as a news and power centre rivalling London, New York, Paris, and Washington. In an age of the "global story" – such as power dams in China or Amazonian rainforest clearances – the Bank has to do more to retain public confidence in its annual $19bn lending programme.

Voyadzis has a delicate task, cheek by jowl with the European Commission, which doesn't always like sharing the media limelight, even though the two institutions have cooperated well over Bosnia's reconstruction.

But last night's presence of Yves-Thibault de Silguy, EU commissioner for monetary affairs, and Philippe Maystadt, Belgian finance minister, was a reassuring omen.

Time to leave

■ The decision by Sime Darby, Malaysia's largest conglomerate, to cease in November its listing on London's stock exchange is raising a few eyebrows. Not long ago the business regarded a London listing as vital to maintain its position as a multinational.

Without an official explanation, speculation is rife as to why it's leaving. It could be that turnover on the London exchange is too small to warrant the costs involved. And Sime Darby's future perhaps lies more in the Asia-Pacific region than in Europe.

More teasingly, some think the move may have been given a nudge by an accounting change influencing results declared last week.

The new Malaysian practice means that the earnings of a bank purchased by Sime Darby last November have been consolidated from the time the deal was agreed, not from the date the bank's shares were handed over. British accounting rules might have seen that as a consolidation too far.

Stones will weep

■ The elegant Comédie Française, opposite the Louvre in the centre of Paris, has survived more than 200 years without much need for renovation. The same can't be said of some of Paris' more recently-built cultural venues.

The Pompidou centre, 20 years old, is now undergoing extensive rebuilding. And large slabs of stone cladding are being shed by the new Paris opera house, which only opened in 1989. Its management has had to put up nylon netting over much of the facade, to protect pedestrians.

But if the design and construction of French public monuments has deteriorated substantially since the Revolution, at least the bureaucracy is in good shape.

The opera house's problems first started in 1990. Its technical experts will provide a "preliminary" report on them – by the end of this month.

Financial Times

100 years ago

Railway Rumours

New York: Dalziel's Telegram Mr. Chauncey M. Depew, in reference to the rumoured severance of his connection with the New York Central Railroad, said: "There is absolutely no truth in the report that I intend to resign. For the last five years similar reports have been circulated under the erroneous idea that there is a popular feeling against a man who holds an official position on the railway. My friends have discovered on every occasion that the reports emanated from Wall Street or Chicago, and were started for the purpose of affecting the market. A man does not necessarily lose popularity because he is a railroad official, but some people who write in the newspapers imagine that all railroad officials are unpopular.

50 years ago

Strike Hits New York

Mayor William O'Dwyer, of New York, to-day called an emergency meeting with leaders of 25,000 striking lorry drivers in an attempt to prevent paralysis of the city. If this conference fails, New York, America's "trade capital" will enter a "state of siege" – with thousands of shops shut down, food supplies dwindling, industries crippled, building work halted.

FINANCIAL TIMES
Wednesday September 11 1996

Ministries handed over ahead of heart surgery

Yeltsin shares out power among Kremlin rivals

By Matthew Kaminski in Moscow

Mr Boris Yeltsin, the Russian president, has handed over control of key ministries, ahead of his stay in hospital for heart surgery, it emerged yesterday.

But Mr Viktor Chernomyrdin, the Russian prime minister, said Mr Yeltsin "will remain president" during and after the operation. Under the constitution, the prime minister would become interim president in the event of the president's death or incapacity.

The prospect of Mr Yeltsin's absence has intensified the struggle inside the Kremlin between rivals for the succession, but the president has finally clarified how the country will be run without him. It was announced yesterday that he had already given Mr Chernomyrdin control over the powerful security and law enforcement ministries.

This order gives him powers short of the right to name ministers or sign decrees and does not say when they would lapse. "I see no need to discuss the transfer of presidential powers or invent any mechanism for doing so," Mr Chernomyrdin told the Interfax news agency last night.

The FSB – successor agency to the KGB – along with the defence and interior ministries, will answer to Mr Chernomyrdin on "all questions that require a decision by a head of state", said Mr Sergei Yastrzhembsky, the presidential spokesman.

Mr Yastrzhembsky did not mention the foreign ministry – which comes under direct presidential control in the cabinet. The president's advisers said Mr Yeltsin would keep control on the nuclear "red button".

Some analysts said Mr Yeltsin was sharing power between his main Kremlin rivals. Mr Anatoly Chubais, the chief of staff and proponent of market reform, has strongly – and successfully – argued against handing power to Mr Chernomyrdin. Mr Alexander Lebed – the security chief who reached a peace deal in Chechnya – and his council will remain outside Mr Chernomyrdin's remit.

Mr Lebed and Mr Chernomyrdin have clashed frequently since Mr Yeltsin disappeared from public view after winning the summer presidential election, although Mr Lebed last week called on the president to step down in favour of the prime minister before his operation.

The timing of the order, several weeks before the heart bypass is due, has made some observers anxious. "Either he's beginning to prepare for the operation and wants to limit his work schedule. Or he's in much worse health than he is letting on," said one western diplomat.

US cuts Chinese clothing quota after fraud find

By Nancy Dunne in Washington

Washington has cut Chinese textile and clothing import quotas after US customs uncovered widespread fraud in the shipment of Chinese-made clothing.

Customs found jogging suits, made in China, falsely identified as "made in Turkey"; Chinese-made cotton shorts and trousers with counterfeit certificates of origin from Mongolia; and thread, wool coats and other products wrongly identified as made in Hong Kong.

In another case, a Customs "production verification team" was sent to Fiji in 1994 to check on a factory shipping products to the US. The company did not exist and the certificates of origin that accompanied the clothing were false.

Customs said that over the past two years it has been able to identify fraudulent shipments involving 3m Chinese-made garments worth $19m. They had been falsely identified as products of seven countries, including Italy, Venezuela and Panama.

The findings were presented to Chinese officials by the US trade representative's office. When they were not rebutted, US officials cut Chinese import quotas in 13 categories of textiles and clothing.

Where there have been repeated violations, the US has cut the value of China's quotas by three times the amount of damages thought to have been incurred. Although most textile pacts allow for such "triple damages", it is the first time the US has imposed them on China.

Washington's action comes as Chinese textile exports to the US have begun to fall. Total Chinese exports to the US have been soaring – in June they surpassed Japan's for the first time. But textile and apparel shipments declined by 31 per cent to $4.5bn in the year to end-June.

China, once the largest textile exporter to the US, is now third behind Mexico and Canada following a big rise in supplies from those countries after approval of the North American Free Trade Agreement, and a slowdown in quota growth agreed under a 1994 pact with Washington.

Washington's tougher stance on garment imports comes after Congress provided funding for additional customs officers under legislation approving the Nafta accord.

Customs set up an office of strategic trade to analyse import trends and started to send out product verification teams whenever imports rose suspiciously.

Islands row

Continued from Page 1

out any co-operation with China. He said the Diaoyu islands case concerned the sovereignty of the Republic of China (Taiwan's official name) so there was no need to complicate matters by involving "other parties".

China said "serious damage" to Sino-Japanese relations would result from Japan's failure to curb rightwing activity on the islands, but declined to say whether Beijing would use force to protect its interests.

The rightwing Japan Youth Federation said it had rebuilt the makeshift lighthouse after it was damaged by a typhoon last month.

Ford losses

Continued from Page 1

South American markets is "going to take us longer, and cost us more money, than we had thought", said Mr John Devine, the company's chief financial officer.

Ford blamed its problems in South America on high start-up costs in its new Fiesta assembly plant in Brazil, and a shift in buying patterns that has seen consumers increasingly favour mid-sized cars.

Largely as a result of the South American losses, Mr Devine warned that Wall Street's expectations that Ford would report earnings of 67 cents a share for the third quarter of the year were "a bit optimistic". He added, though, that the company was "in the ballpark" when it came to meeting fourth-quarter estimates of $1.17 a share.

Bonn lifts growth forecast following surprise GDP rise

By Peter Norman in Bonn

The German government yesterday upgraded its forecast of economic growth for this year after a higher-than-expected jump in output in the second quarter.

Mr Theo Waigel, the finance minister, said 1 per cent real growth was now likely in 1996. Before last week's news of a 1.5 per cent seasonally adjusted rise in gross domestic product between the first and second quarters, the government had been predicting growth of 0.75 per cent.

However, presenting the 1997 draft federal budget in the Bundestag, the lower house of parliament, Mr Waigel insisted there was "no alternative" to austerity in 1997.

Opening a four-day budget debate, Mr Waigel said additional cuts in spending programmes would be introduced as the draft progressed through parliament over the next two and a half months.

He said Bonn was sticking to its goals of a DM56.5bn ($38.1bn) federal borrowing requirement and a 2.5 per cent cut in spending to DM440bn next year, despite risks posed by high unemployment.

Looking ahead to the income tax reform planned for 1999, Mr Waigel said this would include abolition of the solidarity surcharge, which helps finance eastern Germany. The government wanted to cut the top tax rate to below 40 per cent from 53 per cent and set an initial tax rate of about 20 per cent against 25.9 per cent.

He accused the opposition Social Democrat party of adding to the budget problems by blocking measures that needed the approval of SPD-dominated state governments.

Mr Waigel urged SPD leaders to copy the economic policies of other social democrat parties, including those of Mr Tony Blair, the UK Labour party leader. He rejected as "hypocritical and dishonest" SPD charges that the draft budget was overly optimistic.

Ms Ingrid Matthäus-Maier, the SPD budget expert, accused Mr Waigel of a socially unjust policy, steering Germany into a debt trap and higher unemployment.

Mr Waigel said modest wage settlements, the recent easing of the D-Mark, low interest rates and low inflation would help spur growth. The statistics office said pan-German inflation fell to a year-on-year 1.4 per cent in August from 1.6 per cent in July after a sharp drop in east German inflation to 1.8 per cent from 2 per cent.

The latest trade figures were less encouraging, however. Largely because of a fall in exports, Germany's visible trade surplus fell to DM7bn in June from DM9.5bn in May.

Bundesbank sees flexible Emu, Page 2

THE LEX COLUMN

French fudge

French business circles may long have buzzed with talk of "le corporate governance", but standards remain conspicuously low. Directors' salaries, for instance, tend to be kept secret. And cross-shareholdings designed to protect large companies from takeover are all too common. Last year's Viénot report – France's answer to Cadbury – included useful aspirations. But it remains widely unimplemented. And if yesterday's cautious proposals for company law reform are anything to go by, shareholders cannot look to the government to strengthen their position much.

Still, this is probably just as well: the law is a blunt instrument. It is, for instance, unhealthy that chairmen often hold so many other directorships. But to make more than a handful of directorships illegal – as the proposals suggest – seems heavy-handed.

The real solution will be pressure from stronger and more independent institutional investors, reluctant to put up with inbred boards. With luck, the inevitable growth of private pensions – something the government is rightly trying to encourage – will create such a new breed.

This will take time. But in the shorter term, there is at least one prize worth fighting for: better disclosure. The Bourse, for instance, could usefully require companies to explain any failure to comply with the principles of the Viénot report. That way, companies would at least have to live with the embarrassment of their own shortcomings.

Digital video discs

The 5 per cent rise yesterday in SGS-Thomson's share price appears to be a triumph of the market's hopes over its judgment. The Franco-Italian semiconductor manufacturer has succeeded in developing an anti-copying device for use in digital video disc players, but the commercial potential of this breakthrough remains unproven.

Disc manufacturers are still embroiled in negotiations on the issue of copyright protection with the entertainment and computer industries. Only when agreement is reached, and the technical specifications are known, will it be possible to judge whether SGS-Thomson has a tightly patented product which confers significant competitive advantage – and hence to gauge its potential.

The fact that one leading DVD manufacturer has already chosen SGS-Thomson's chip for a DVD player and 27 consumer electronics companies are licensed to use the technology is encouraging. And all parties concerned have an interest in getting DVD systems to the market as soon as possible. But it is not clear that this latest development addresses the core problem: the incompatibility of interests between a computer industry, which needs a copying facility for discs, and an entertainment industry which fears this will be an invitation to piracy.

Kepit

The sad saga of the Kleinwort European Privatisation Investment Trust (Kepit) should have a happy ending. The fund was ill-conceived and has delivered a pitiful return in its two-and-a-half year life. But having been jolted into action by a hostile bid from TR fund management, Kepit has belatedly come up with a range of better offers for its 70,000 shareholders.

The recommended restructuring is as good as could have been expected. TR may whinge, but investors who want cash are relieved of £10m of costs incurred under the proposed TR bid. And the portfolio liquidation will be a more manageable fire sale than TR's. Shareholders can then choose freely where to invest next, and there should be plenty of fund managers pushing special offers.

The restructuring offers a switch into an M&G European unit trust with a steady, if unexciting, record. Or there is Kleinwort's unit trust equivalent to Kepit. But shareholders who retain a love of European privatisations after all this could always buy Mercury's equivalent, Mepit, at a 14 per cent discount to its assets. After all, if it keeps that kind of discount, another restructuring may not be too distant.

Mercury

When it was fashionable to invest in long-distance telecommunications, Britain's Mercury Communications did that. Now that local networks are the rage, Mercury is switching its emphasis. The risk for shareholders in Cable and Wireless, Mercury's parent, is that it is again playing "follow the leader". Its long-distance push has not been a great success, because previously wide margins have shrunk.

Local may now seem an attractive market, particularly given that WorldCom last month paid a juicy $12bn for MFS, a US-based local network start-up. But Mercury, which has never had the dynamism of MFS, is slow off the mark. Investors may wonder whether the new local push will prove to be good money after bad. But it is probably the only way for C&W to salvage its existing investment – unless it can find somebody else to pay a fat sum for Mercury.

Williams

Williams stands out from its peers in the conglomerate sector by delivering steady, predictable earnings growth and a strong sense of strategic direction. But it is hard to see what will drive its shares. Margins are sufficiently high that an upswing in the European building products sector will not translate into dramatic growth.

The group has already felt the benefits of an improving US housing market. And while its fire and security divisions offer good prospects, the like-for-like profits decline from security products suggests this could take some time.

Portfolio restructuring could add value, assuming the group can improve its poor return on capital. The group is adamant that a rights issue is not on the agenda, but bolt-on acquisitions in fire and security can be usefully funded by selling peripheral building products businesses from NuTone to Smallbone. Meanwhile, Williams shares look unlikely to outpace the market.

Additional Lex comment on Rexam, Page 21

FT WEATHER GUIDE

Europe today

Spain and Portugal will have a lot of rain with strong thunder showers in the south. France will have sunny periods with showers expected in the north. The Benelux will remain cloudy but dry. Norway and Finland will have rain. Sweden will be dry. The Alps will have sunny periods but northern Austria may have showers. Italy will be mainly dry and sunny but thunder showers are likely in the south. The Balkans will be fair with sunny intervals. Most of Romania and Turkey will be sunny. Greece will have thunder showers.

Five-day forecast

Rain over Spain will move towards the Balkans and eastern Europe. The rain over western Scandinavia will move south-east. These systems will merge to cause heavy rain in eastern Europe by the weekend.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	Beijing	fair 26	Caracas	fair 32	Faro	thund 24	Madrid	rain 22	Rangoon	shower 32
		Belfast	cloudy 17	Cardiff	cloudy 16	Frankfurt	shower 16	Majorca	rain 24	Reykjavik	shower 13
Abu Dhabi	sun 40	Belgrade	fair 19	Casablanca	fair 24	Geneva	sun 19	Malta	thund 31	Rio	fair 29
Accra	cloudy 29	Berlin	rain 15	Chicago	fair 24	Gibraltar	rain 24	Manchester	cloudy 16	Rome	fair 29
Algiers	fair 32	Bermuda	fair 29	Cologne	shower 15	Glasgow	drzzl 17	Manila	rain 31	S. Frsco	fair 23
Amsterdam	cloudy 17	Bogota	fair 20	Dakar	fair 31	Hamburg	shower 15	Melbourne	shower 18	Seoul	sun 27
Athens	thund 27	Bombay	rain 29	Dallas	sun 34	Helsinki	rain 11	Mexico City	fair 21	Singapore	cloudy 31
Atlanta	fair 30	Brussels	shower 16	Delhi	rain 30	Hong Kong	shower 31	Miami	fair 32	Stockholm	shower 12
B. Aires	sun 17	Budapest	fair 18	Dubai	sun 35	Honolulu	fair 31	Milan	shower 25	Strasbourg	shower 17
B.ham	cloudy 16	C.hagen	shower 13	Dublin	fair 17	Istanbul	sun 22	Montreal	cloudy 21	Sydney	sun 24
Bangkok	thund 35	Cairo	sun 33	Dubrovnik	sun 22	Jakarta	fair 32	Moscow	shower 13	Tangier	rain 21
Barcelona	shower 23	Cape Town	shower 17	Edinburgh	shower 18	Jersey	shower 17	Munich	shower 16	Tel Aviv	fair 31
						Karachi	fair 34	Nairobi	fair 26	Tokyo	fair 25
						Kuwait	sun 43	Naples	fair 26	Toronto	fair 23
						L. Angeles	sun 26	Nassau	thund 31	Vancouver	cloudy 20
						Las Palmas	fair 26	New York	cloudy 25	Venice	fair 21
						Lima	cloudy 18	Nice	sun 23	Vienna	shower 17
						Lisbon	shower 25	Nicosia	sun 30	Warsaw	shower 12
						London	cloudy 17	Oslo	shower 15	Washington	fair 27
						Lux.bourg	shower 15	Paris	shower 15	Wellington	rain 12
						Lyon	sun 20	Perth	shower 17	Winnipeg	fair 15
						Madeira	fair 25	Prague	shower 13	Zurich	shower 16

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COMPANIES & MARKETS
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IN BRIEF

Investors try to veto KHD board

Angry shareholders tried to prevent a motion approving Klöckner-Humboldt-Deutz's management board at the group's annual general meeting. They said the board did too little to prevent losses of DM1.06bn ($712m), mainly from Saudi Arabian contracts. Page 17

Outlook turns sour for ice cream makers

The heat has been turned up in the US battle between producers of premium ice creams such as Ben & Jerry's, founded by Mr Ben Cohen (left) and Mr Jerry Greenfield (right), and Häagen Dazs, owned by Grand Metropolitan of the UK. The pressures have brought a profits warning from Ben & Jerry's. Page 18

Top Belgian bank plans share issue
Générale de Banque, Belgium's largest bank, said it would launch a 1-for-10 share issue to fund further expansion as it announced an 8.6 per cent increase in first-half net profits to BFr7.31bn ($238m). Page 17

Eurotunnel names finance director
Eurotunnel, the Anglo-French operator of the Channel tunnel, has named 41-year-old Mr Richard Shirrefs as its new finance director. Mr Shirrefs, is moving from his job as finance director of Cattean, the French subsidiary of Tesco, the UK food retailer.

Horsham and Trizec to merge
Mr Peter Munk, the Canadian financier, aims to create a powerful international property group by merging Horsham, his holding company, with Trizec, one of North America's biggest office and shopping mall developers. Page 18

HK and China Gas improves 20%
Hong Kong and China Gas, Hong Kong's monopoly supplier of piped gas, reported a rise of 20 per cent in first-half net profits to HK$979.1m (US$126.6m). Page 19

UK investment trust to liquidate
The £500m Kleinwort European Privatisation Investment Trust (Kepit), is to be wound up, making it the largest investment trust in the UK to liquidate itself. Page 20; Lex, Page 14

Companies in this issue

A&M	4	Kirch	2
AAA	18	Koor	17
AEA Technology	9	Laurion	2
AT&T	18	Leica Camera	16
Amcor	19	Levi Strauss	9
America West Airline	18	MGZ	7
American Airlines	18, 7	Mercury Comms	21
Amstrad	21	Mitsubishi Estate	9
Astra	17	Morgan Grenfell	21
Axa	19	Nordex Denmark	2
BCP	18	Olivetti	17
BHP	19	Orient Overseas	5
BSkyB	2	PAL	15
Bank Tiara Asia	19	Paramount Pictures	18
Bank of Cyprus	17	Parmalat	7
Barrick Gold	18	Pathé	17
Ben & Jerry's	18	Placer Dome	18
Bertelsmann	2	Promodes	17
British Airways	7	Publicis	18
CGEA	9	Renault	7, 15
Canal Plus	2	Rexam	21
Chargeurs	17	SAS	7
Courtaulds Textiles	21	SGS-Thomson	15
Deutsche Bank	21	Sabena	7
Dreyers Grand	18	Seagate Technology	9
Fiat	7	Smart Technology	9
Ford	7	Stet	2
Générale de Banque	17	Telefónica	15
Gibraltar Mines	18	Tenaga Nasional	19
GrandMet	18	Thomas Cook	18
HK and China Gas	19	Tisa	15
Hanson	20	Trizec	18
Heinz	18	Trumpf	16
Horsham	18	VW	7
ING	17	Vendex	17
ITT	18	Virgin	7
KHD	17	Wal-Mart	4
Kemira	16	Westmin Resources	18
Kepit	20	Williams	20

Market Statistics

http://www.FT.com

Annual reports service	28-29	FT-SE Actuaries indices	30
Benchmark Govt bonds	22	Foreign exchange	23
Bond futures and options	22	Gilts prices	22
Bond prices and yields	22	London share service	28-29
Commodities prices	24	Managed funds service	25-27
Dividends announced, UK	20	Money markets	23
EMS currency rates	23	New intl bond issues	22
Eurobond prices	22	Bourses	32-33
Fixed interest indices	22	Recent issues, UK	30
FT/S&P-A World Indices	34	Short-term int rates	23
FT Gold Mines index	30	US interest rates	22
FT/ISMA intl bond svc	22	World Stock Markets	31

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	1139	+	21
Linde	948	+	20
Porsche	975	+	27
VEW	460	+	7
Falls			
Herlitz	152	–	3.5
Kali & Salz	188	–	3.5
NEW YORK ($)			
Rises			
Cadence Dsgn	30⅝	+	1⅛
Chesapk Engy	61⅝	+	2¾
Western Dgtl	36⅛	+	1⅞
Falls			
Diana Corp	43⅛	–	2
ITT Corp	48	–	8
Stone & Wbstr	33⅜	–	1⅝
LONDON (Pence)			
Rises			
Amstrad	155	+	16½
Danka Bsnss	590	+	30
Delta	402	+	24½
Mt. Lato	325½	+	18½
Falls			
Mitter Clark	431	–	239
Scotia	691½	–	42
TORONTO (C$)			
Rises			
Gibraltar Min	7.6	+	1.3
Plaintree Sys	5.8	+	1.0
Trimark Fin	34.0	+	2.35
Falls			
Mitronics	39.15	–	1.6
Tee-Comm Elec	11.8	–	0.7
Westmin Res	6.2	–	1.3
PARIS (FFr)			
Rises			
Air Liquide	866	+	8
Credit Local	439	+	3.9
Fonc Lyon	570	+	19
l'Oreal	1656	+	68
Schneider	236.3	+	11.8
Falls			
BIC	736	–	12
TOKYO (Yen)			
Rises			
Asics Corp	332	+	17
Hino Motors	979	+	34
Mercian Corp	863	+	39
NTN	745	+	33
Nissin	1030	+	44
Pioneer	2270	+	130
HONG KONG (HK$)			
Rises			
Goldlion Hd	7.05	+	0.25
Lane Crwfrd A	12.95	+	1.06
Manhattan	3.325	+	0.12
Falls			
Dongfeng Elec	2.1	–	0.15
Kingboard Chm	1.21	–	0.16
Oxford Hldgs	3.675	–	0.15
BANGKOK (Baht)			
Rises			
Essex Intl	33.5	+	3.0
Shangri-La	24.75	+	2.0
Varopakorn	20.0	+	1.75
Falls			
Inoue Rubber	51.0	–	5.5
PCM Precast	55.0	–	6.0
Peoples Garmnt	24.0	–	6.5

New York and Toronto prices at 12.30pm.

Renault warns of dive into full-year loss

By David Owen in Paris

Renault, the French carmaker, yesterday warned it was set to plunge into the red this year as it reported that half-year profits fell more than 90 per cent. The company said first-half net income was FFr158m ($31m), compared with FFr1.75bn a year ago. It blamed the fall on an intensification of the price wars in some European car markets, together with a downturn in commercial vehicles – a sector which had returned good profits last year.

The figures – released after the Paris market closed with Renault shares up FFr1.90 at FFr119 – were towards the upper end of analysts' expectations. It was widely known the first six months of 1996 had been exceptionally difficult for the group.

The company, chaired by Mr Louis Schweitzer, would have come close to a first-half net loss had it not been for a FFr150m improvement in financial income. This rose to FFr400m from FFr250m.

Most attention focused on the company's forecast for the rest of 1996, which highlighted "uncertain" prospects for the passenger car market, with the risk of a "significant decline" in France in the final quarter.

Under such conditions, Renault said, the operating income of the car division would show only a "slight improvement" from second-half 1995 levels when it incurred a FFr1.35bn operating loss.

Commercial vehicles would also swing into loss because of "the combination of a continued downturn in the cycle in the US and a marked slowing in European markets". Only the finance division would report an operating profit.

With the level of operating losses implied by such comments, the group – which has now been profitable for nine consecutive years – would probably be dependent on a high level of financial income to stave off a full-year net loss.

The operating loss for the latest period weighed in at FFr225m, compared with a profit of FFr1.52bn a year ago.

The FFr911m operating loss at the car division was a big deterioration from the FFr358m profit of a year ago, but an improvement on the FFr1.35bn loss in the previous half. The group blamed the decline on narrower margins and lower unit sales in France.

Commercial vehicles made a lower operating profit of FFr26m, down from FFr519m. The downturn was blamed mainly on the "slump" in the US truck market. The finance division's contribution edged ahead from FFr638m to FFr660m.

Revenues fell marginally from FFr96.21bn to FFr94.09bn.

Jesper Dijohn Pressefoto

Renault, chaired by Louis Schweitzer (above), faces 'uncertain' prospects in the car market

PAL capital issue gives control to Tan

By Edward Luce in Manila

Mr Lucio Tan, the Chinese-Filipino businessman, yesterday took formal control of Philippine Airlines (PAL) as shareholders voted to double the carrier's authorised capital to 10bn pesos ($382m).

The decision allows Mr Tan, the airline's chairman, to hold a 56 per cent direct stake in PAL, and up to 67 per cent if minority government shareholders waive the right to acquire more shares.

The vote brings to an end an 18-month share dispute between Mr Tan and minority government shareholders of PR Holdings, a company 50.5 per cent owned by Mr Tan and holder of 67 per cent of PAL. Mr Tan had claimed that his stake in PR Holdings gave him the right to speak for its entire interest in the airline.

The capital increase paves the way for the lossmaking airline to start a $4bn purchase programme and, it is hoped, a return to profit.

"We will now be able to shed the 'Plane Always Late' [PAL] image and gain acceptance from more passengers," said Mr Tan yesterday.

Airline executives said that yesterday's move would restore a clear management direction to the airline. PAL, which posted net losses of 2.1bn pesos for the year to March, is expected to register a small net profit in 1997.

Executives said PAL's load factor (proportion of seats occupied) had risen from 67 per cent to 70.5 per cent since March enabling it to declare net earnings of 142m pesos in the first quarter. "Now that the dispute is resolved we will get better credit from the banks and be in a better financial position to return to health," said Mr Jaime Bautista, chief financial officer.

Under the deal between Mr Tan and the government, minority shareholders can compel Mr Tan to buy back their shares in five years if the airline is not performing satisfactorily. The shares would be sold at a par value of 5 pesos – the same price as yesterday's capital rights issue.

Proceeds from the capital issue will go towards the purchase of 24 Airbus aircraft and seven Boeing 747s.

Telefónica set to buy out Tisa minority

By Tom Burns in Madrid

Telefónica, Spain's partially privatised telecoms operator, is poised to acquire outright ownership of Telefónica Internacional (Tisa), its profitable international unit.

The group plans to buy the 23.7 per cent of Tisa it does not own from the Patrimonio del Estado, the portfolio company controlled by the finance ministry, in a deal worth Pta140bn-Pta150bn ($1.1bn-$1.2bn).

Telefónica's plan to acquire the Tisa stake is understood to have been encouraged by the government, which wants to raise additional revenue to lower its cash deficit. Patrimonio's proposed deal with Telefónica, whose largest shareholder is the government with 20 per cent, would save time as well as the costs of a global offering.

Analysts say the purchase would strengthen Telefónica's position in the most profitable area of its activities.

Tisa, whose net profits have increased 41 per cent between 1992 and 1995, is the biggest international telecoms operator in Latin America with strong positions in Chile, Argentina, Peru and Venezuela. It is building its presence in other countries. Tisa reported net profits of Pta29.7bn last year.

Analysts believe the market value of Tisa is about Pta600bn and that the stake owned by Patrimonio is worth about Pta143bn. It would appear, therefore, that Telefónica is negotiating a market price for outright control of its international unit and that it stands to make considerable capital gains should it resell the equity it plans to purchase from Patrimonio at a later date.

The Spanish securities house of Merrill Lynch, the US bank, said the proposed purchase would have a positive impact on Telefónica's profit and loss account if it was financed with debt, given Tisa's earnings potential and current interest rates in Spain.

Merrill Lynch directed the Pta165bn global sale last year of 12 per cent of Telefónica. The government is likely to seek the sale of its remaining 20 per cent stake in Telefónica next year.

Mr Mario Zala, a director of Madrid brokers Ibersecurities, said Telefonica would have "no difficulty" in disposing of the Tisa stock it plans to acquire, either through an initial public offering or through an industry sale.

GTE and AT&T, the US telecoms operator, were reported to be seeking to buy into Tisa, but long-standing contacts between Telefónica and the two over joint ventures in Latin America are understood to have cooled recently.

SGS-Thomson's anti-piracy device lifts shares

By Alice Rawsthorn

Shares in SGS-Thomson Micro-electronics, the Franco-Italian semiconductor maker, yesterday jumped 5.3 per cent – up FFr11.5 to FFr226 – on an announcement that it has developed an anti-copying device for use in digital video disc players.

The disclosure comes at a time when the world's consumer electronics companies – including Thomson-CSF, the French group, which is one of SGS-Thomson's larger shareholders – are trying to resolve a long-running wrangle with the entertainment and computing sectors over a copyright protection agreement for digital disc systems, which can be used to play films or for data storage.

SGS-Thomson's innovation is an integrated circuit which, once fitted in a DVD player, prevents the machine from making copies of pre-recorded discs, thus stopping the activities of counterfeiters.

The circuit will permit the DVD player to record television broadcasts on to blank digital discs but will render it incapable of making copies of that disc.

Copyright protection is a serious obstacle to the electronics industry's efforts to mount a full-scale commercial launch of DVD, which has been billed as the most promising new consumer electronics product of the late 1990s.

Manufacturers hoped that the first DVD entertainment systems would go on sale late last month, but were forced to delay the proposed introduction because of the deadlock in the copyright talks.

SGS-Thomson maintains that its integrated circuit is the first anti-copying device capable of addressing the entertainment industry's fears about DVD piracy. However it admits it will be impossible to gauge the likely level of commercial demand for it until the terms of the DVD copyright protection agreement are finalised and the electronics industry knows exactly what its requirements will be.

The electronics camp presented a new set of revised copyright protection proposals to the entertainment and computing factions a few weeks ago. They hope to receive a response soon.

Lex, Page 14

Barry Riley

When Scandinavia gets too hot for comfort

Just how predictable was the disaster at Morgan Grenfell European Growth and its sister funds? In the light of last week's dramatic events, it is intriguing to look again at an article published in the November 1995 issue of Professional Investor, the Institute of Investment Management and Research journal.

The authors were Greg Richmond and Tony Zucker, senior investment managers at Friends Provident Asset Management, which runs its own FP European Growth Trust. Although this fund is comfortably in the sector's top quartile over one and five years and is currently worth about £180m, it has never pulled in money on quite the scale of several rivals. Last year Richmond and Zucker decided to find out why.

They conducted a detailed study of eight successful UK authorised unit trusts in the European sector. These included the MG and FP funds, Fidelity European, now likely to emerge as the biggest retail fund at £600m-plus, and the current top performer over five years, Old Mutual European.

Among the characteristics analysed were relative quarterly performance, the standard deviation of quarterly returns and the concentration of the portfolio in the top 10 holdings (which represented between 22 and 47 per cent).

They also studied the funds' liquidity and the extent of focus on smaller European stock markets rather than the leaders, such as Germany, France and the Netherlands.

The Friends Provident team may have had something of an axe to grind here, in that the FP fund aims at low volatility and high liquidity. They were no doubt concerned that these virtues were not being properly recognised by investors or, more important, by the independent financial advisers who tend to dominate transactions in these specialist funds.

Are managers departing dangerously from implied benchmarks?

Besides the FP fund, two others – Baring European Growth and Lazard European Growth – were, on the evidence, also following this low-risk approach, with close adherence to the main benchmark, the FT/S&P Actuaries Europe ex-UK Index.

But four were playing a different game. Chief among them was MGEG, the most volatile, but HTR European Value and the Old Mutual and Fidelity funds also featured a much more aggressive style. The eighth, Scottish Widows European, bridged the two groups.

The differences showed most clearly in the liquidity measure. For the four aggressive funds, the average stock position represented 4-10 days of market turnover. For the others, the figure was 0.5 days or less.

These go-go funds were also clearly concentrated in the smaller stock markets – especially Scandinavia, where clusters of hot technology stocks can be found. When Richmond and Zucker updated the figures two months ago, Scandinavian markets had a combined 14 per cent weighting in the Europe ex-UK Index but the aggressive funds had between 40 and 53 per cent there. Although MGEG only declared 30 per cent, we now know this was misleading.

The rather mild conclusion of Richmond and Zucker last November was that the funds had used different styles to produce good performance. Their attractiveness depended on how they fitted individual investors' requirements.

It may now be appropriate, however, to put this much more strongly. Have IFAs too often ignored risk when chasing top performance? And are managers departing dangerously far from their implied benchmarks in seeking top decile performance?

There is no suggestion that the other managers involved here are breaking the rules in the way that Mr Peter Young of MGEG appears to have done. But the risks are being concentrated. Some of these are, in effect, Scandinavian rather than European funds.

Now the big commercial issue is whether the hundreds of millions of pounds likely to cascade out of the Morgan Grenfell funds will shift into unit trusts with a similar profile or seek lower-risk funds.

COMPANIES AND FINANCE: EUROPE

Royal camera maker goes to the people

Leica, first choice of blue-blooded amateurs and hardened pros, plans an IPO

Leica Camera, the German luxury camera and optical group which counts Queen Elizabeth, the Sultan of Brunei and Mr John Major, the UK prime minister, among its clientele, is moving closer to a broader public.

Last week, the group announced that for a fraction of the cost of its revered M6 camera – about DM4,000 ($2,600) for the basic model excluding lens – investors would be able to buy a share of the company at its initial public offering next week.

Leica's market debut is the latest example of the trend for small and medium-sized German companies to raise new capital from the stock market rather than traditional relationship banks. The success of last year's string of new issues, including those by the SGL Carbon, the graphite products company, and Adidas, the sports goods company, has whetted investors' appetite for Germany's under-developed stock market.

There have been fewer listings this year, mainly because of fears of being overshadowed by the gargantuan Deutsche Telekom issue in November. Analysts are nevertheless confident of strong demand for Leica's offering. "Leica is in a different league to Telekom: a niche producer with a cult following," said Mr Georg Remshagen, analyst at Schroeder Muenchmeyer Hengst.

Mr Klaus-Dieter Hofmann, chairman, was similarly unconcerned at the presentation of the group's interim results last month: "In comparison to Telekom... we're just pocket money."

Leica plans to issue 3.1m shares, comprising 700,000 from a capital increase and the remainder from its parent, the Swiss industrial group Leica Technologie. A greenshoe, or over-allotment option, provides for the issue of a further 450,000 shares. The offer could raise at least DM124m ($83.1m), with DM28m in fresh funds for Leica Camera. Bookbuilding – used to assess institutional investor interest in advance – ends today. The joint global co-ordinators are UBS of Switzerland and WestLB of Germany.

The price range is DM40-DM47 a share. After the offering, at least 70 per cent of the stock will be held by the public, about 20 per cent by Leica Technologie, and the rest by three directors of Leica Camera, including Mr Hofmann. The shares will be listed in Frankfurt from September 19.

Robert Fleming, the UK brokers, estimates market capitalisation could reach DM234m. That is about one times sales and 31 times last year's earnings.

Part of the reason for the high multiple is that last year's net profits were hit by an unusually high tax charge which reduced earnings from DM8.3m to DM7.4m. For the first quarter of the current year, Leica incurred a net loss of about DM3.5m, blamed on its acquisition of Minox, the lossmaking microcamera maker, and seasonal factors.

However, Leica's sales are traditionally weakest at the beginning of its business year, when it raises prices, and strongest in the second half because of the surge in demand around the Photokina trade fair and Christmas, and ahead of the price increases. Management has said Minox, also a high-quality niche producer, will break even this year.

Another reason for the high price is its growth prospects. Leica says new products and its drive into high-growth markets should help it achieve double-digit percentage profits growth in the current year.

Sales rose 5 per cent to DM240m, with foreign revenue accounting for 58 per cent. The group, which also makes projectors, scopes, enlargers and binoculars, has in part benefited from a consumer trend away from mass-produced products towards high-quality brand names with snob appeal.

Leica's drive for growth is assisted by its cult following. When presented with a Leica camera on his 75th birthday, Mr Henri Cartier-Bresson, the French photographer, was said to have declined the offer of a new lens. Instead, he fitted the camera with the Leica lens he had owned for 30 years, remarking: "Voila, c'est Leica."

However, judging from its latest figures, Leica has more than such tales to woo investors. Unlike most German companies, the group is increasing its workforce – about 1,500 worldwide – to meet demand. Operating profits in the year ended in March rose 15 per cent to DM16.5m, a sharp contrast to the 1970s when the group suffered heavy losses in the face of Japanese competition.

Costs should also fall following the share issue. Analysts say the lion's share would be used to repay a portion of interest-bearing debt to the parent – totalling DM61m.

However, while most analysts said the group's optimism was justified, some complained Leica's overall picture was not entirely clear. "The studies Leica provided for the issue on future developments were rather scanty on detail," said one. "It's a typical Mittelstand company that is not used to dealing with analysts."

Mr Remshagen agreed, but said he was nevertheless confident Leica's earnings forecasts were realistic. "The new products will have higher margins than their predecessors and potential sales growth is enormous in the US and south-east Asia." He said the group's customer base was "ideal – mostly people over 50 with a big income".

Sarah Althaus

'Over 50 with a big income' – Queen Elizabeth, a model Leica customer

Leica pro-forma results

DM m	1993/4	1994/5	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating profits	12.1	14.7	16.4	24.6	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income	4.8	6.2	7.3	8.6	12.8	[illegible]

* Forecast. Source: Company, estimates from SBC

Trumpf to spend DM40m on new laser plant

By Peter Marsh

Trumpf, the privately-owned German company which is Europe's biggest machine tool maker, yesterday announced it would build a DM40m ($26.8m) plant near Stuttgart to make specialist lasers for use in its cutting machinery.

The plant, to be finished in 1998, will add to two existing laser factories in Germany and a third in the US. The company said the investment, together with other expansion plans, should generate between 50 and 100 new jobs in Germany by the end of the century, to add to its 2,000-strong German workforce. It also employs 1,000 in other countries.

The scheme is among the biggest expansion plans for some time in the German machine tool industry, which has suffered a significant drop in output and employment in recent years as a result of the weak European economy and increased competition from low-cost Asian suppliers.

Trumpf said this year demand for its products was continuing at relatively high levels. Sales were running at some 5 per cent above the DM920m recorded in the year to June 30.

The company also announced a new agreement on flexible working for its German employees under which they agree to spread a fixed number of hours over the course of a year to fit in with peaks and troughs in demand.

Such "annualised hours" systems are relatively rare in German industry but are considered an efficient way to balance output with market requirements.

Under the deal, employees have also agreed to work 70 hours a year unpaid in an attempt to cut costs.

Trumpf's main products are laser cutting and punching systems, an industry in which it is one of the world's four biggest companies. As part of its policy, started in the 1980s, it makes all its own lasers for these products.

Finland unveils Kemira float plan

By Greg McIvor in Stockholm

Finland yesterday took the first steps in a FM1bn ($221m) privatisation programme by unveiling plans to list an unspecified number of shares in Kemira, the state-controlled chemicals group, in a public offering likely to generate close to FM700m.

At the same time, Kemira said it would be issuing up to 8m new shares with the intention of raising FM400m to finance capital investment in its core chemicals operations.

The Finnish state currently holds 72.3 per cent of Kemira's capital after part-privatising its near-100 per cent interest in 1994. It said it planned to reduce its stake to 55 per cent of the enlarged capital. Non-Finnish institutional investors currently hold 14 per cent of Kemira's stock, while Finnish investors and funds hold 13.7 per cent.

Kemira indicated the two offerings would take place in tandem. Goldman Sachs, the US investment bank, has been appointed global co-ordinator and Merita Corporate Finance of Finland will be lead manager in the Nordic countries.

Mr Kaj Friman, Kemira group treasurer, said the offerings would have a combined worth of close to FM1bn and stressed that the new issue would enhance shareholder value.

"If we get the FM400m fresh capital, we will be able to boost our existing investment programme by more than the dilution impact," he said. Earnings per share growth would exceed the dilutive effect within three years, he added. However, shares in Kemira fell FM2 yesterday to FM47 on the Helsinki bourse.

No date has been set for the launch but Mr Friman said he was optimistic the offering would take place before the year-end.

Kemira has been engaged in a heavy restructuring since 1991, substantially cutting costs and making about a third of its workforce redundant.

مكبرا من الأصل

Management board of KHD under attack

By Michael Lindemann in Cologne

Angry shareholders yesterday tried to prevent a motion approving Klöckner-Humboldt-Deutz's management board, which, they alleged, did too little to prevent losses of DM1.06bn ($712.1m). The loss almost caused the collapse of one of Germany's oldest engineering companies in May.

Shareholders repeatedly lambasted the management board and the non-executive supervisory board directors, headed by Deutsche Bank board member Mr Michael Endres, for failing to spot losses of DM726m on three Saudi Arabian cement plants worth DM1.3bn.

During sometimes angry exchanges with Mr Endres, shareholders demanded to know why KHD's control mechanisms had failed to pick up false invoices and rumours that the Saudi Arabian bids had been well below cost.

"Somewhere in there is a worm and we would like to root it out in order to stamp on it," said one shareholder, Mr Hans-Joachim Buhlmann.

While Mr Endres and members of KHD's management board insisted they had been misled by three senior executives, Mr Anton Schneider, chief executive, admitted several questions about the crippling losses remained unanswered. "The real reasons for the losses have not been fully clarified," Mr Schneider said. "We will look at this question very precisely."

More than 20 speakers were due to address about 1,000 shareholders at the annual general meeting, which was expected to last almost 12 hours.

Several shareholders demanded that the *Entlastung*, or approval of the activities of the KHD management board, be postponed until state prosecutors completed investigations into the losses.

However, Deutsche and several other banks were expected to have the votes necessary to push through the motion against the opposition of hundreds of small shareholders. The shares shed a further 40 pfennigs yesterday to close at DM7.80.

Speakers representing shareholder organisations said there was uncertainty about how the vote would end, because only 46.9 per cent of the voting shares were represented at the meeting.

Deutsche Bank itself holds at least 47.7 per cent of KHD, but shareholders suggested it had not registered its stake to prevent speculation about how much exactly it owns.

Following the losses, and the decision to sell the Humboldt Wedag plant subsidiary, shareholders were also expected last night to vote to re-name the group Deutz.

The new company will focus on making diesel and gas engines of between 10 and 10,000 horsepower. Mr Schneider said he expected it to break even this year on sales of DM2.3bn.

Vendex 21% ahead halfway

By David Brown in Amsterdam

Vendex International, the Dutch retail and services group, reported a 21 per cent increase in first half net profit, to Fl 151m ($90m), amid quickening consumer spending in its main domestic market. The results were above the expectations of analysts who had been forecasting net profits of between Fl 130m and Fl 136m.

Vendex warned this high rate of first half growth could not automatically be extrapolated for the full year. If current spending patterns were maintained, the group expected an increase in the operating profits of all three main business units for the 1996/1997 fiscal year which ends next January 31.

Mr Jan-Michiel Hessels, the chairman, said he saw particular growth in the non-food and speciality retail businesses as well as in temporary employment services, which he predicted would double in size over the next five years. Longer store opening hours in the Netherlands are expected to contribute to earnings in the second half.

Mr Hessels indicated it was too early to say whether the second-quarter improvement in the group's clothing sales is the beginning of a continuing trend.

For the first half ending July, Vendex said operating profit was Fl 158m – a 22 per cent increase when adjusted for property transactions. Turnover was ahead by 6 per cent to Fl 5.69bn. Net profit per share rose 25 per cent to Fl 1.78 and the interim dividend was fixed at 55 cents.

Vendex said that interest costs would not show a further decline but would remain at the previous year's level. This was because of share repurchases and the acquisition of OEM.

● ING, the Dutch bank, said its Mercantile Mutual unit of Sydney, Australia, declared unconditional its offer for the shares of asset management and life insurance company Pacific Mutual Australia, having exceeded its minimum acceptance condition of more than 90 per cent share entitlement, AFX News reports from Amsterdam. Mercantile Mutual's mid-June public offer of A$2.30 per share closes on September 27, after which Mercantile Mutual will compulsorily acquire all remaining shares. The acquisition involved a total of A$98m, ING said.

NEWS DIGEST

Olivetti chief to explain results

Mr Francesco Caio, chief executive of Olivetti, is to explain the half-year results of the Italian information technology group to analysts and investors early next week, the company announced yesterday. Olivetti's shares yesterday fell a further L35.5 – or 6 per cent – to L567.8, a new low, after briefly recovering ground from the previous day's 20 per cent drop in price.

Mr Caio, who today meets the Italian industry minister in Rome to discuss the crisis, must try to restore the market's confidence, shattered by last week's resignations and allegations – denied by Olivetti – that the published half-year results were misleading.

Mr Carlo De Benedetti, who resigned as chairman last week, visited Mr Romano Prodi, the Italian prime minister, yesterday, in another indication that political concern over Olivetti's problems is growing. Unions are concerned that restructuring might lead to further job losses in an attempt to restore profitability.

Separately, Assorisparmio, an association of small shareholders, called on institutional investors to request a shareholder meeting "as the only appropriate forum . . . for a confrontation between owners and management". *Andrew Hill, Milan*

Astra appoints new US head

Astra, the Swedish pharmaceuticals group, appointed Mr Ivan Rowley from its Canadian operations to head Astra USA. He replaces Mr Lars Bildman who was sacked in June after a series of sexual harassment allegations was made against Astra USA executives by former employees. Mr Rowley is to take over immediately, allowing Mr Jan Larsson to return to group executive management in Sweden after temporarily heading Astra USA. *Hugh Carnegy, Stockholm*

Chargeurs slides in first half

Chargeurs International, the French conglomerate, said first half net profits fell from a pro-forma FFr128m to FFr54m ($10.6m). Sales declined 2.7 per cent from FFr4.6bn to FFr4.5bn. The company said the economic environment was difficult in the first half and repeated it expected an upswing in industrial demand for wool towards the end of the year. Pathé, the French media group which was demerged from Chargeurs earlier this year, said it posted first-half net profit of FFr132m in the six months to June, against a pro-forma net profit of FFr40m a year earlier. Sales were FFr898m against a pro-forma FFr296m. *AFX News, Paris*

Promodès posts 10.4% rise

Promodès, the French retailer, said first-half net profit rose 10.4 per cent from FFr288m to FFr317m ($62.2m). It said the sale of its German unit Promohypermarket would result in a capital loss of about FFr100m in the second half. *AFX News and Reuter, Paris*

Israel in euro-MTN issue

Israel yesterday paved the way for its entry into the eurobond market by establishing a euro medium-term note (euro-MTN) programme of up to $750m over the next three years, including an initial issue of $200m to $250m before the end of 1996. Merrill Lynch International is the arranger of the deal, which will be managed by a group of six other international investment banks. Morgan Guaranty Trust Company of New York is the issuing and principal paying agent.

"All signs indicate that what we [want to] sell will be bought," said Mr Dan Meridor, Israel finance minister, at a signing ceremony in Jerusalem. He said the Jewish state was "selling the strength of Israel's economy", and the move marked a vote of confidence from international investors. Earlier this week, Standard and Poor's reaffirmed Israel's A- sovereign credit rating, while Moody's renewed its equivalent A3 rating. *Avi Machlis, Jerusalem*

Koor to merge chemical units

Koor Industries, Israel's largest holding company, said it would restructure its chemical company holdings and unite Makhteshim Chemical Works and Agan Chemical Manufacturers under a new parent corporation, MAGM Chemicals. MAGM Chemicals would be listed on the Tel Aviv Stock Exchange following a share exchange planned for May 1997 in which Makhteshim and Agan shareholders could swap their stock for shares in the new company. Makhteshim and Agan's listings will be removed from the exchange. *Avi Machlis*

Bank of Cyprus improves

The Bank of Cyprus, the island's largest bank, yesterday announced "satisfactory" half-year results and an interim dividend of 6 per cent for 1996. Operating profits were C£17.8m ($38.6m), compared with C£16.1m in the first six months of 1995. Net profits were C£8.9m, up 12 per cent on last year. Group chairman Mr Solon Triantafyllides, also announced that Bank of Cyprus planned to raise C£75m in the next year: C£50m in the form of subordinated convertible bonds and the other C£25m from a rights issue. *Andreas Hadjipapas, Nicosia*

Top Belgian bank plans share issue

By Neil Buckley in Brussels

Générale de Banque, Belgium's largest bank, said yesterday it would launch a 1-for-10 share issue to fund further expansion, as it announced an 8.6 per cent increase in first-half net profits to BFr7.31bn ($238m).

Mr Ferdinand Chaffart, chief executive, said the subscription period for the new issue would be from September 19 to October 4, with the price set according to the share price between September 10 and September 18, less a discount of between 7 and 12 per cent.

The bank's main shareholders, including Société Générale de Belgique, Belgium's largest holding company, with 29.7 per cent, are expected to participate and maintain the overall size of their stakes. Mr Chaffart predicted strong institutional interest and said he expected the capital increase to raise about BFr15bn.

"The capital increase is necessary to increase our flexibility and solvency," Mr Chaffart said. "It will allow us to take advantage of economic growth in the countries where we are active." The bank's solvency is 10.01.

Recent expansion, including the acquisition of Crédit Lyonnais Nederland (renamed Generale Bank Nederland), and Finnagest, a French asset manager, has shifted the proportion of net profit achieved outside Belgium from 40 per cent to 60 per cent.

The bank plans to open branches in China – where it has a representative office – to complement its Hong Kong network, and said it was still seeking an acquisition in Germany's North Rhine-Westphalia region.

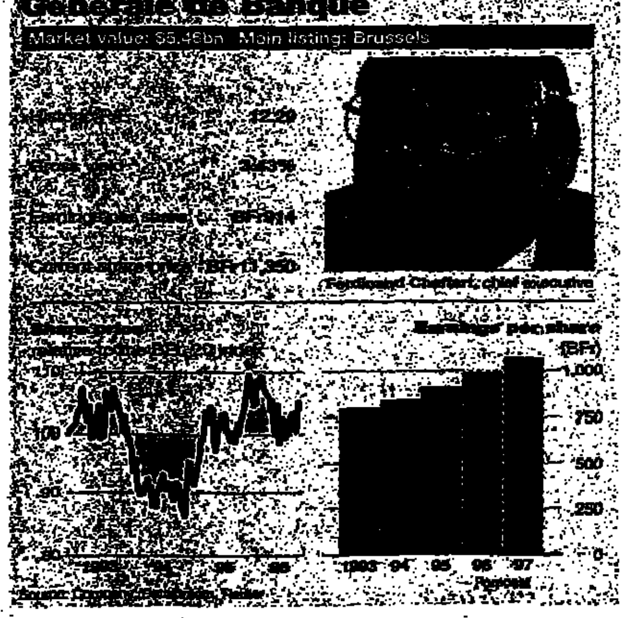
First-half profits rose from BFr6.73bn to BFr7.31bn. That was below analysts' forecasts of BFr7.4bn-BFr7.7bn, blamed partly on an unexpectedly steep 37 per cent rise in depreciation, write-downs and provisions, to BFr13.3bn.

These included a BFr2bn provision to cover the costs of introduction of the euro, the single European currency due to be launched in 1999, involving upgrading information equipment and retraining staff.

Mr Chaffart warned that while Belgium could not afford to miss out on the benefits of the euro, the cost of implementing it would produce a "profitability shock" in the banking sector. Rival Banque Bruxelles Lambert, Belgium's third-largest bank, warned last week transition to the single currency would cost it more than BFr500m a year for the next four years.

Gross income at Générale de Banque rose 22.1 per cent to BFr69.5bn, with interest income up 16.4 per cent, and non-interest income up 31 per cent.

Total costs rose 15.3 per cent, because of the consolidation of acquisitions and the opening and modernisation of branches in the Hong Kong network. But the ratio of costs to gross income improved from 59.9 per cent to 56.6 per cent.



Horsham and Trizec to merge and shift focus

By Bernard Simon in Toronto

Mr Peter Munk, the Canadian financier, aims to create a powerful international property group by merging Horsham, his main holding company, with Trizec, one of North America's biggest office and shopping mall developers.

The merged company, to be known as Trizec Hahn, plans to use its expertise, contacts and financial resources to shift its focus from the slow-growing North American market to emerging regions with prospects of higher returns – notably eastern Europe and south-east Asia.

Mr Munk transformed Barrick Gold from a struggling Canadian resources group into one of the world's biggest gold producers. "I can see us doing in real estate what we've done in the gold industry," he said yesterday.

Trizec will be strengthened by Horsham's US$500m cash hoard as well as its 8 per cent stake in Barrick Gold, the biggest gold producer outside South Africa. The Barrick stake has a market value of about $800m.

Horsham Properties, which owns a 600-acre business park on the outskirts of Berlin, will also be folded into Trizec Hahn. Hahn refers to Hahn Company, Trizec's wholly-owned US shopping centre subsidiary.

Horsham's 46 per cent stake in Clark USA, a sizeable mid-west oil refiner and distributor, is likely to be sold soon. Horsham owns 48 per cent of Trizec. The next biggest shareholder is US financier Mr Gerald O'Connor, with 26 per cent. Mr Munk owns only 8 per cent of Horsham's total equity, but multiple voting shares give him 80 per cent of the vote.

Under the proposed merger, each Trizec common share will be exchanged for 0.58 of a Trizec Hahn subordinate voting share. Horsham shareholders will receive the same number of subordinate voting shares in the merged company. The merger is due to be completed by mid-November.

Mr Munk has been seeking a way to generate higher returns for Horsham shareholders. While the company's net asset value has grown in recent years, the shares have traded at a widening discount, reaching about 33 per cent in recent months.

After a slow start, the German project has whetted Hungarian-born Mr Munk's appetite for international property development. Horsham earmarked DM55m ($37m) earlier this year for expansion into Poland, Hungary and the Czech Republic.

Mr Munk will be Trizec Hahn chief executive, but day-to-day operations will be run by his long-time lieutenant, Mr Gregory Wilkins. Mr Wilkins has overseen a shake-up at Trizec since Horsham rescued it from near-bankruptcy in 1994. The company has 50m sq ft of shopping malls and office buildings in the US and Canada.

Shares in Horsham and Trizec rose in early trading yesterday. Horsham gained 62 cents in New York to $13.75. Trizec was up 50 cents at $8.13.

Price of fat turns up heat in ice cream wars

Manufacturers have been hit by rising commodity costs

A late burst of heat after a cool summer may touch off a belated rash of ice cream eating on the east coast of the US. But the signs are that this has not been a happy year for companies in the increasingly competitive markets for premium and super-premium ice cream.

On Monday, Ben & Jerry's, the company which built a brand around its association with ageing hippydom, warned it would earn much less in the current quarter than the $2.5m a year ago. The cost of these fat-heavy ice creams has risen rapidly in the last few months, and American tastes are shifting. That, in turn, has created markets for different types of frozen dessert and new national brands.

The rise in commodity prices has given a nasty twist to the new competitive war between makers of higher-priced ice creams over the past year.

Makers of top-of-the-range, super-premium ice creams, led by Ben & Jerry's and Haagen Dazs, are particularly susceptible to the price of butter-fat. According to Ben & Jerry's, this now accounts for between 15 per cent and 20 per cent of total production costs.

The cost of this commodity has been climbing steadily in recent months, in part as a reaction to the rise in grain prices last summer, which in turn lifted the price of cattle feed and hence the price of dairy products. Ben & Jerry's added, though, that the US government's decision last year to run down its holdings of butter had left the market without a holder of excess inventories with the ability to smooth out peaks in prices.

The result, the Vermont company said, was a doubling of butter-fat prices between April and July this year, to $1.90 a pound. That has fed directly into higher prices, hurting super-premium ice creams at a time when health-conscious consumers were already turning to fat-free alternatives.

Ben & Jerry's itself has raised prices twice in the past two months, for a combined rise in wholesale prices of 20 cents a pint. The effect, at retail, has been to lift the price by around 7 per cent, putting the cost of a pint of ice cream above $3 in some markets.

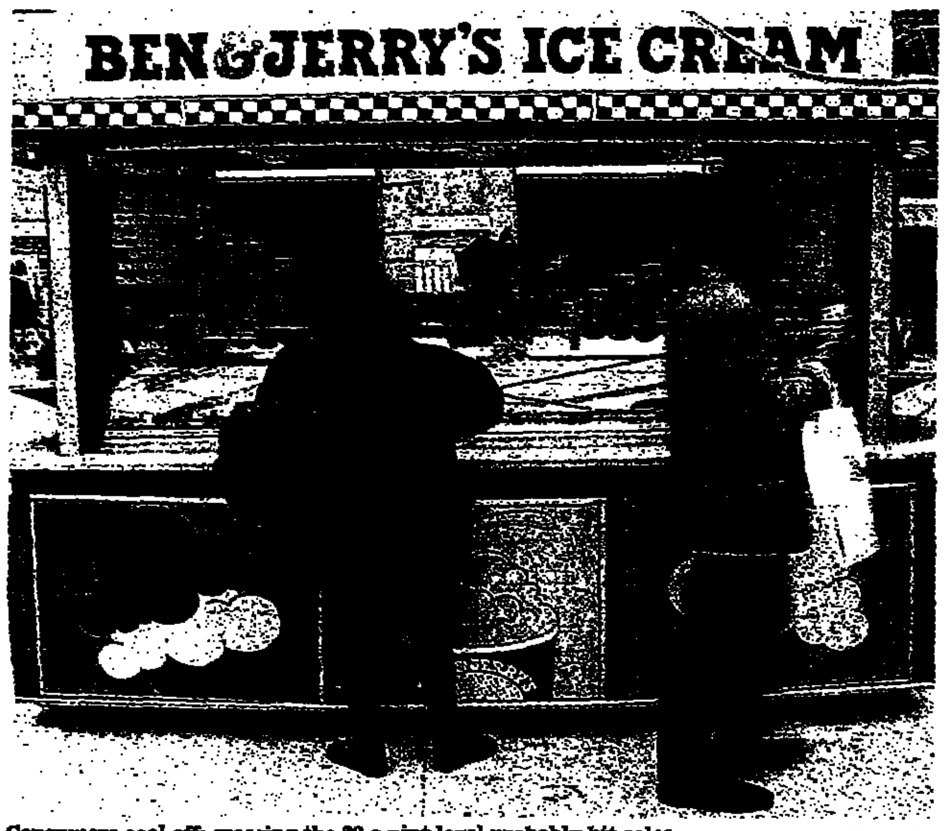
Haagen Dazs, owned by Grand Metropolitan, raised its own prices to wholesalers by 10 cents a pint in the early summer, though the company said yesterday it had yet to raise them again.

The effects of higher butter-fat prices have not been limited to the super-premium end of the market. In August, Dreyer's Grand Ice Cream, a fast-growing maker of premium ice cream, warned that high dairy prices would eat into its profit margins in the second half of 1996. Dreyer, maker of Edy's ice cream, recorded gross profit margins of 23.3 per cent on sales of $378m in the first half of the year, compared with the 33.2 per cent on sales of $86m at Ben & Jerry's.

Ben & Jerry's attempts to protect its margins in an increasingly fierce market may already have hurt its sales volumes. The company warned on Monday that, while its sales in July were "reasonably close to expectations", August was a "very weak sales month". The reasons for this are still being studied, but crossing the psychologically-important $3 a pint level – and the effect of greater price competition from Haagen Dazs – are likely to have been the biggest factors.

But while traditional sales of super-premium ice cream may be flagging, there are signs that new products are more than plugging the gap. Haagen Dazs said yesterday it was having "a very good year" – thanks mainly to sales of its expanded line of sorbets, and its decision to take the fat out of its frozen yoghurt products this year.

Richard Waters



Consumers cool off: crossing the $3-a-pint level probably hit sales — Brendan Corr

'Burnt out' Paramount executive quits

By Christopher Parkes in Los Angeles

Paramount Pictures' top marketing executive has quit at his own request in the wake of a disappointing summer season for the Viacom group's film arm.

Mr Barry London, studio vice-chairman, was "feeling burnt out" by 25 years in the same job, according to Ms Sherry Lansing, Paramount chairman.

Mr London, 48, is to set up an independent film production business on the studio's lot in a move common for executives who leave on good terms.

The change is symptomatic of Hollywood's latest bout of anxiety and heart-searching which has been prompted by disappointing results from the peak US cinema-going season which started in mid-May and ended on the Labor Day holiday earlier this month.

Although total box office receipts are likely to have hit a new $2bn-plus record, the number of tickets sold fell slightly.

Paramount, which has released 17 films so far this year, has garnered a 10 per cent market share, and ranks equal fourth with MCA's Universal.

Paramount has had one popular hit with *Mission: Impossible*, which overcame negative reviews and a promotional link with the troubled Apple Computer group to take more than $180m.

Harriet the Spy, a low-budget children's film, marked the successful big-screen debut of Viacom's popular Nickelodeon television.

Phantom, an attempt to generate a new cartoon-hero based series on the lines of Superman and Batman, has failed to please Mr Sumner Redstone, the ambitious chairman of Viacom which took over Paramount in 1994.

American Airlines warns of 4% costs rise

By John Authers in New York

American Airlines, the second largest US carrier, said yesterday its third-quarter costs had been driven up by higher fuel costs and protracted pay negotiations with its pilots' union, which ended last week. Mr Robert Crandall, chief executive, told analysts the company was "struggling on the cost front", predicting a 4 per cent rise in costs for the quarter.

Last week's union deal followed a two-year negotiation, during which the airline had suspended purchases of new aircraft. It now expects to order new long-range aircraft within the next year. American's agreement with the union involved a "modest" pay increase, as opposed to the 2 per cent cut employers had looked for, and the abandonment of American's plan to move 20 per cent of its pilots to a new lower-cost operation where they would have been paid less than their counterparts. Such subsidiaries are already run by its competitors United Airlines and Delta Air Lines.

Mr Crandall yesterday admitted that this deal, to be ratified in December, would increase the airline's costs, although this would be partially offset by productivity gains.

Half of the 4 per cent cost rise was a result of higher fuel prices. Mr Crandall also cited increases in security, and profit-sharing payments. The share price, which fell $5¼ last week to $76½ on fuel price fears after the US air strikes on Iraq, has rallied slightly. Yesterday it was up $1⅜ in early trading at $80⅝.

NEWS DIGEST

ITT shares hit by profits forecast

Shares in ITT, the hotel, casino and entertainment company, fell nearly 14 per cent in early trading yesterday on news that it expected to report third-quarter earnings well below analysts' expectations, owing to weakness in its gaming segment. After the market closed on Monday, ITT said third quarter net income would be about 56 cents a share, almost flat compared with last year. Late last year ITT spun off its industrial and insurance businesses into separate companies. Analysts had expected earnings in this year's third quarter to be closer to 81 cents a share. Near midday, the shares were $7⅞ lower at $48⅝. ITT cited three main reasons for the flat earnings: losses in baccarat, the card game, at one Las Vegas casino in August; construction delays and disruptions at two Las Vegas casinos; and increased competition in the Tunica, Mississippi market.

Lisa Bransten, New York

Heinz ahead in first quarter

Heinz, the consumer products manufacturer, yesterday reported net income up 3 per cent to $179.5m for the quarter to July, on turnover up 5.5 per cent to $2.21bn, compared with the same quarter of 1995. Owing to a stock split last October, earnings per share rose 4.3 per cent to $0.48. Most of the increased volume was attributed to growing volume in the company's core products, including ketchup, pet food, tuna and condiments. However, net acquisitions accounted for a 2.7 per cent increase in volume, while adverse foreign exchange movements dampened the total increase.

Mr Tony O'Reilly, chairman, said he expected earnings to continue to gain momentum throughout the fiscal year. Sales "deloading" – reducing the impact of end-of-quarter sales loads – had involved a drop in sales for some products. The results were in line with expectations, and the company's shares were unchanged in morning trading.

John Authers, New York

Placer to sell Gibraltar stake

Placer Dome, the Canadian gold producer, has found a buyer for its 30.8 per cent interest in Gibraltar Mines, a western Canada copper producer owning the valuable Lomas Bayas copper property in northern Chile. Placer will tender its 10,156,000 Gibraltar shares for C$8.65 a share in cash and shares under an offer made for all Gibraltar shares by Westmin Resources, another western Canada copper producer. Total value of the Westmin bid is about C$290m (US$211m).

Placer's holdings in Gibraltar will fetch nearly C$90m, with the maximum possible portion in cash and the balance in Westmin shares. Westmin will pay a maximum of C$86.6m cash to all Gibraltar shareholders and complete the bid with its own shares pro rata.

Robert Gibbens, Montreal

Publicis in Canadian purchase

Publicis, the Paris-based advertising and communications group, has expanded its western hemisphere interests by buying BCP, Canada's seventh-biggest ad agency. Terms were not disclosed. BCP, with annual billings of C$248m (US$181m) and 200 employees, was one of the few sizeable agencies that had not been taken over in recent years by US or European groups. Its clients include Molson Breweries, Videotron and Canadian National Railway.

Bernard Simon, Toronto

AAA, Thos Cook in alliance

Thomas Cook, the UK-based travel agent, and the American Automobile Association, the car services business, have agreed an alliance to cross-sell each other's services to a combined customer base of 54m leisure travellers.

The Florida-based AAA, which has 1,000 travel agencies in the US, will provide services such as airline reservation changes, ticket re-routing and hotel and car reservations, free of agency charges, for Thomas Cook customers. Thomas Cook which has 1,800 agencies worldwide but none in the US, is to offer similar services to AAA customers.

Thomas Cook, owned by Westdeutsche Landesbank of Germany, has not been able to provide travel-related services in the US since 1994 when it sold its international business travel operations and US travel agencies to American Express.

Scheherazade Daneshkhu, London

COMPANIES AND FINANCE: ASIA-PACIFIC

HK and China Gas 20% ahead at halfway

By Louise Lucas in Hong Kong

Hong Kong and China Gas, Hong Kong's monopoly supplier of piped gas, yesterday reported a rise of 20.08 per cent in its net profits at the halfway stage, from HK$815.4m in the first six months of 1995 to HK$979.1m (US$126.6m) for the same period this year.

The company, which is about one-third owned by Mr Lee Shau-kee's Henderson Investments, saw turnover increase 12.09 per cent, from HK$2.22bn to HK$2.49bn over the same period. Unit sales growth was 6.4 per cent, compared with the company's own forecasts – shared with analysts when the full-year figures were released in March – of about 7 per cent for the whole of 1996.

There was a further deceleration in the rate of new meter installations, with 54,745 meters being added over the year to June 30. In calendar year 1995, as expected, the number of new meter installations dropped to 65,911 from an average 70,000 a year.

Mr Lee Shau-kee, chairman, said he expected gas supplies to be piped to Lantau Island in March next year. The Lantau pipeline, which cost HK$500m, will supply towngas to the new Chek Lap Kok airport and other new developments.

In terms of property, the group's 15 per cent interest in the MTR Hong Kong Station project – one of the upcoming developments which will be built on the new underground train stations along the route to the airport – is expected to be completed in phases between 1999 and 2004.

Hong Kong and China Gas's earnings per share at the interim stage improved 22.2 per cent, from 27 cents (adjusted for the one-for-five bonus share issue) to 33 cents in the first half of 1996. The interim dividend is to be lifted 20 per cent from 10 cents to 12 cents.

Amcor expands in China

By Nikki Tait in Sydney

Amcor, the Australian paper and packaging group, is to build a fourth factory in China, in conjunction with the local Yunnan Tobacco Company. Amcor will hold a 60 per cent stake in the joint venture, through its Leigh-Mardon Pacific Packaging subsidiary.

The folding carton facility will be based in Kunming, and the initial investment by the two partners will be A$25m (US$20m). At full capacity, it will convert 6,000 tonnes of board and produce over 1bn hinge-lid boxes annually. It is due to be commissioned in the last quarter of Amcor's financial year, which ends in June.

● BHP, the Australian resources group, is to close its stainless steel products plant at Unanderra, in New South Wales, in May next year. The company said the action followed a long review, and took into consideration the possible sale or joint venturing of the business. It added that the 260 workers employed at the plant would be offered alternative positions within its steel division.

● Axa, the French insurance group, in conjunction with Donaldson, Lufkin & Jenrette, its US investment banking unit, and National Mutual, its Australian life insurance arm, is launching a US$125m China Investment Fund. It is the first time the three groups have collaborated on an investment product. The fund, which is ultimately expected to reach US$500m, is to be managed by DLJ.

Indonesia bank 'may merge'

Indonesia's Bank Tiara Asia said yesterday it was open to a merger with any other medium-sized bank which focused on consumer banking, Reuter reports from Jakarta.

"If the merger gives added value to our shareholders, why not," said Mr K.J. Low, Bank Tiara senior financial executive. He added, however, that no deals were in sight. Mr Low said the bank was keeping the merger option open, particularly with a bank with the same market focus.

"To achieve significant added value and economies of scale we have to find a medium-sized bank whose focus is the same as ours...the middle market segment and consumer banking," Mr Low said. Bank Tiara had been approached by some smaller privately-owned banks with a view to merging, but there had been no deals.

Bank Tiara posted net profit of Rp17.55bn ($7.48m) in the first half of 1996, against Rp14.91bn in the corresponding period last year.

Serving the nation whatever the cost

Malaysian power utility's balancing act is worrying analysts

Since it listed four years ago, the fortunes of Tenaga Nasional, Malaysia's power utility, have been determined by a delicate balancing act between serving the government's wishes and chasing higher profits.

Until recently, maximising profits was in vogue. But with the appointment of a new chief executive this month the company signalled it is now returning to a doctrine more typical of a state utility: that serving the nation takes precedence over earnings growth.

This fundamental shift in emphasis is designed to restore credibility after an embarrassing peninsula-wide blackout on August 3. But the new creed is pleasing neither shareholders nor industry analysts, who worry that the country's second-biggest company by market capitalisation may be running into financial difficulties.

"Regaining public confidence is my top priority and I am willing to do it at any cost," said Mr Ahmad Tajuddin Ali on his first day at the helm.

"There is a price for everything and we have to bear it at whatever cost to provide uninterrupted power supply," he added. It was clear that in spite of the company's partial privatisation, the government still dictates its strategies by dint of its remaining 70 per cent stake.

The essence of Mr Tajuddin's new scheme is to lift Tenaga's morale, reduce the bulk transport of electricity down overloaded lines, and accelerate the upgrading of the national grid, of power substations and of key transmission equipment.

He acknowledges that all this will inflate the organisation's costs but says the company must try to achieve these aims without asking the government to raise electricity tariffs early next year. The last tariff hike was effective from March 1 this year and raised the cost of electricity to consumers from an average 20.03 Malaysian cents per KWh to 21.7 cents.

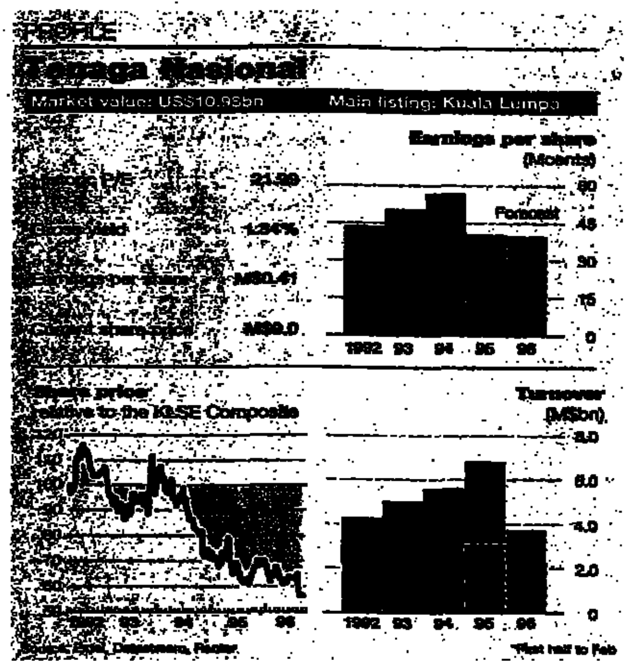
"Everyone thought the company would push for a tariff hike soon but now it seems that it will be delayed at least until the middle of next year," said one brokerage house analyst.

"Mr Tajuddin is asking the company to spend more on less income," the analyst added.

Observers said extra borrowing is likely, adding fresh strains to the company's finances. Total debt currently stands at around M$7bn (US$2.8bn) and the company's net interest expenses are estimated to be M$540m in the year ended August 31, and to rise by over 35 per cent in each of the next two years.

This rate of increase is expected to be much faster than net profit growth, meaning that Tenaga's debt service cover will come under pressure. In the year to August 31 1995 the group's net profit fell to M$1.24bn, from M$1.71bn a year earlier. Most predictions for the 1996 financial year see net profits of about M$1.2bn.

Capital expenditure has been predicted to rise from M$3.1bn in the 1995 financial year to about M$4bn in 1996, and then to roughly M$5bn each in 1997 and 1998. But since the August blackout a new urgency has attended efforts to upgrade the national grid.



Phase 1 and 1A of a project to lay new 550KV transmission lines parallel to the existing 275KV lines up and down western peninsula Malaysia is scheduled to be completed at the end of 1997. Along the eastern seaboard, where the August blackout originated, the upgrading work is still in its initial stages.

If the government orders Tenaga to speed up the upgrading of facilities along the eastern seaboard, the company may find that it has to look abroad to raise cash for equipment imports. The cost of such borrowing has risen since Moody's, the credit rating agency, downgraded Tenaga from stable to negative after the August blackout. Nearly 60 per cent of Tenaga's debts have been raised overseas.

Any fresh surge in borrowing will increase the company's gearing – currently above 70 per cent – to nearer 80 and 90 per cent over the next two years. Economists said this level of gearing is not dangerous for a large power utility but it may make some portfolio investors nervous. Tenaga's share price has fallen from its year high of M$11.30 to M$9 at yesterday's close.

"Financially, the company is under pressure, although the situation is not critical," said Mr Adin Jarjis, an analyst at Pesaka Jardine Fleming in Kuala Lumpur.

Capital expenditure aside, Tenaga will also have to raise money for a 20 per cent stake in Bakun Hydro Electric Corp, the company which will eventually take over the running of a 2,400MW dam being built in the forests of Malaysian Borneo. Bakun is scheduled to be listed at the end of this year [although this may be delayed] and analysts believe that Tenaga will have to pay at least M$1bn for its stake.

On the bright side, the company can look forward to national electricity demand climbing by about 14 per cent a year for the next six years. Its joy at this prospect is muted by the fact that five Independent Power Producers (IPPs) are expected to take an increasing share of the country's generation capacity.

In 1994, the IPPs generated just 1 per cent of national demand but their output is expected to account for about 34 per cent of total demand in 1996. This proportion should climb further to about 45 per cent in 1998, analysts predicted.

James Kynge

COMPANIES AND FINANCE: UK

Kepit battle ends with liquidation

By Roger Taylor

The £500m ($780m) Kepit fund is to be wound up, making it the largest investment trust in the UK to liquidate itself.

The move to wind up Kepit, the Kleinwort European Privatisation Investment Trust, ends a humiliating episode for Kleinwort Benson Investment Management, which runs it.

The job of breaking up the fund has been awarded to M&G, the UK's largest retail unit trust group, and Kleinwort after a hotly contested battle between many of the best-known fund managers.

Kepit foundered because thousands of private investors who bought shares became unhappy when the trust produced disappointing returns in its first two years. Kleinwort Benson said the problem was it attracted too much money from too many investors who wanted immediate results.

High levels of commission and a big marketing promotion by Kleinwort Benson were in part responsible.

The 77,000 investors in the fund will be offered a choice of swapping their shares for cash, for units in the M&G European & General unit trust or for units in a new Kleinwort Benson privatisation unit trust. Kleinwort and M&G are paying £3.5m to cover the cost of the break-up, which they hope will be justified by the number of shareholders who opt to reinvest with them.

Kepit's decision to wind up the trust illustrates the increasing willingness of investment trust directors to ignore the interests of investment managers and protect the interests of shareholders.

Mr Shane Ross, chairman of Kepit, said: "It is very unusual for investment trust directors to recommend liquidation. It is a radical solution, but it is clearly the right one for shareholders."

Hanson investors get hint of value

By Samer Iskandar and Ross Tieman

Hanson investors will today get the first clear market signal of the value of shares in the four companies into which their conglomerate is being demerged.

Union Bank of Switzerland will begin trading derivative instruments in Imperial Tobacco Group, Millennium Chemicals, The Energy Group and the remnant Hanson company.

The Demerger Advance Participation Securities (Daps) are designed to allow fund managers to begin reorganising holdings before trading in the underlying securities begins.

Hanson's break-up, which begins on October 1, is expected to trigger heavy investment flows. In particular, many UK investors are likely to exit Millennium Chemicals, which will be quoted only in New York.

Using Daps, investors will be able to buy or sell the instruments, replicating shares in each of the Hanson companies. These will be exchanged for shares as the demerger proceeds.

According to details of the Daps issue, UBS values Imperial at between 36p and 41p per share, Energy at 50p-55p, and Hanson at 44p-49p. Millennium shares were indicated at between $27.24-$32.68.

Kleinwort Benson values Imperial and Millennium shares at 37p each, Energy Group at 67p and new Hanson at 45p. Combining these would value an existing Hanson share at 186p, about 18 per cent higher than yesterday's closing price of 157½p, down 4¼p.

Mr Nick Wilson, at Kleinwort Benson, suggested that the current structure was capping the conglomerate's value at less than the sum of its parts.

"Putting the different parts together in 6 to 12 months' time should yield a higher share price than today," he said.

Trevor Humphries

Roger Carr plans to make Williams a world leader

Locks demand lifts Williams

By Ross Tieman

A drive by Williams Holdings to become the world's leading locks and fire equipment manufacturer helped pre-tax profits rise 11 per cent to £115m ($179m) in the half year to June 30.

While the performance of building products was mixed, Mr Roger Carr, chief executive, said Williams' sales continued to benefit from toughening worldwide fire regulations, and strong growth in demand for locks and security devices.

The overall profit improvement included £2.4m from six acquisitions undertaken during the first half.

Building products, including Rawlplug and Polycell, remains Williams' biggest business, but first half progress was held back by weak demand in France and Germany. In North America, a modest upturn in paint and other DIY materials on the west coast helped lift operating profit from building products to £22.9m (£19.2m).

Operating profits from European building products slipped 4 per cent to £38.9m. Its contribution was overtaken for the first time by fire protection, up 28.5 per cent to £40.5m.

The fire business was helped by three acquisitions, including two in France. The security business, anchored on the Yale brand, lifted operating profits 13 per cent to £21.3m. It has been reinforced with acquisitions in the US, Italy and Brazil.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aegis Group	6 mths to June 30	1,808	(1,874)	18.7♠	(16.3)	1.5	(1.4)	0.25大	Oct 11	nil	-	nil
Allied Leisure ☆	54 wks to June 30	26.7	(20.4)	1.14♠	(1.83)	1.4†	(2.44)	0.5	Dec 16	nil	-	nil
Amstrad	Year to June 30	329	(272)	14.9L♠	(3.06♥)	13.7L	(2.2)	1.5	Nov 1	1.5	2.75	2.5
Bardon	6 mths to June 30	134	(159.5)	5.8	(5.2)	0.4	(0.3)	0.8	Dec 6	0.8	-	2
Calderburn	6 mths to June 30	23.6	(31.2)	0.915♥	(2.05)	2.15	(4.3)	nil	-	2.9	-	2.9
Charter	6 mths to June 30	570	(585)	51.9	(49.6)	38.3	(35.4)	9	Nov 8	8.5	-	27.5
CLS Holdings	6 mths to June 30	14.99	(12.86)	4.5	(4)	4.1†	(4)	2.2	Nov 29	2.1	-	4.25
Clyde Petroleum	6 mths to June 30	77.3	(79.8)	24	(19.4)	2.8	(3.2)	0.45	Oct 11	0.4	-	1.15
Courtaulds Texts	6 mths to June 30	481	(515.3)	8.5L♠	(8.4♠)	8.4L	(4.3)	5.2	Oct 22	5.2	-	15.3
Delta	6 mths to June 29	495	(519)	11.5♠	(35.1)	1.8	(14.5)	4.5	Dec 2	4.5	-	18.9
DRS Data	28 weeks to Jul 12	2.92	(4.27)	0.363L	(0.512)	0.72L	(0.95)	0.25	Nov 11	0.25	-	1
Eadie Holdings	6 mths to June 30	20.7	(17.5)	1.04	(1.43)	1.11	(1.62)	0.4	Dec 1	0.4	-	1.2
European Leisure	Yr to June 30	76.7	(68.2)	5.39	(4.13♠)	40.7	(31.2)	-	-	-	-	-
FBD Holdings♣	6 mths to June 30	69	(65.8)	6.92	(6.12)	13.16	(11.46)	3.35	Oct 18	2.9645	-	6.7375
GBE Intl	6 mths to June 30	24.5	(29.8)	1.48	(0.864)	1.8	(1.38)	0.6	Jan 3	0.5	-	1.5
Graham	6 mths to June 30	269	(224)	4	(10.55)	1.9	(6.1)	1.9	Nov 20	1.9	-	5.7
Haggas (John)	Year to June 30	44.9	(40)	2.7	(2.55)	8.4	(7.8)	3	Nov 29	2	4.5	3
Headway	Yr to June 30	18.8	(30.2)	1.01	(6.1L♠)	4.7	(31.8L)	0.6	Dec 6	nil	1.4©	nil
ILP Φ♣☆	6 mths to June 30	6.28	(12.4)	0.412	(1.05)	2.01†	(6.3)	0.66	Oct 31	-	-	-
JBA Holdings	6 mths to June 30	69.8	(49.5)	1.36	(0.754)	2.33	(1.43)	1.1	Dec 16	1	-	4
Jermyn Invest	6 mths to June 30	0.733	(0.454)	0.622	(0.602)	2.7	(2.76)	2.4	Oct 31	2	-	4.5
Kingsbury	6 mths to July 6"	49	(41)	2.49♠	(1♠)	7.2	(2.3)	1.25	Nov 12	1	-	3
Middlesex Hlgs §	6 mths to June 30	87.9	(17.4)	-4.56	(-2.45)	70.38†	(0.3)	nil	-	nil	-	0.077
National Express	6 mths to June 30	206	(115)	20.4	(7.79)	14	(8.8)	3.4	Oct 21	3	-	10
Newman Tonks	6 mths to June 30	138.3	(150)	6.5	(10.7)	2.76	(5.56)	3.625	Oct 25	2.9	-	6.9
Omnicare Φ	6 mths to Jun 30	0.911	(0.849)	0.315	(0.284)	3.2†	(3.2)	0.625	Sep 30	-	-	0.5
Parity	6 mths to June 30	76.4	(61.5)	4.3	(3.07)	6.75	(4.82)	1.4	Nov 14	1	-	2.5
Pendragon	6 mths to June 30	287	(248)	5.85	(5.27)	10.2	(9.2)	3.3	Oct 14	3	-	9
Peptide Therap	6 mths to June 30	0.043	(0.109)	1.78L	(1.65L)	5.21†	(10.1L)	-	-	-	-	-
Pittencrieff	6 mths to June 30	6.88	(6.12)	0.741	(0.227)	1.22	(0.24)	nil	-	0.5	-	0.5
Readymix ♣	6 mths to June 30	30.2	(19.7)	3.9	(2.1)	7.89	(4.66)	1.3	-	1.2	-	3.7
Rexam	6 mths to June 30	1,201	(1,203)	77♠	(112♥)	9.9	(15.4)	6.1	Nov 8	6.1	-	14.1
RJB Mining	6 mths to June 30	697	(740)	86.1	(85.8)	33.2	(32.2)	8	Oct 24	5.5	-	16
Scotia Holdings	6 mths to June 30	7.3	(8.35)	7.03L♠	(5.35L)	9.2L	(8.3L)	-	-	-	-	-
Scruttons Φ	6 mths to June 30	22.3	(20.8)	0.97	(0.698)	12.9	(10)	6	Oct 2	6	-	13
Severfield-Reeve	6 mths to June 30	27.8	(19.3)	1.8	(0.891)	6.92	(3.87)	1.75	Oct 28	1	-	3
Spring Ram	6 mths to June 29	168	(143)	20.4L♠	(17.3L♠)	4.5L	(3.5L)	nil	-	nil	-	nil
Williams Hldgs	6 mths to June 30	877	(766)	114.9♠	(103.1♠)	11	(9.9)	5.8	Oct 11	5.5	-	14.25
Wyevale Garden	6 mths to June 30	31.3	(25.4)	5.85	(4.78)	10.4	(8.7)	3.7	Oct 28	3.22	-	5.32

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
American Trust	6 mths to July 31	363.9	(317.6)	2.46	(2.42)	3	(2.9)	1.9	Oct 17	1.9	-	5.5
Candover	6 mths to June 30	524	(419)	0.997♠	(2.19)	4.45	(9.77)	4.75	Oct 24	4.5	-	13.25
GT Japan*	Yr to June 30	249.66	(213.62)	1.45	(1.93)	0.33	(1.59)	1.6大	Nov 11	0.85	2	1.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. *Comparatives restated. ©Includes 0.5p special paid at interim stage. ♣Irish currency. 大Foreign income dividend. ☆ Comparatives for 52 weeks.

COMPANIES AND FINANCE: UK

MG affair may hit OEICs

By George Graham and Motoko Rich

City regulators are concerned that the problems uncovered last week at Morgan Grenfell Asset Management could slow down the introduction of a new type of UK investment fund designed to attract more continental European investors.

The Treasury wants these Open Ended Investment Companies, or OEICs, to be ready for marketing by January.

But rules for OEICs, which are a cross between an investment trust and a unit trust, but without the trust structure which is unfamiliar to continental investors, will have to be revised to take account of the lessons of the Morgan Grenfell debacle.

The UK unit industry manages more than £100bn but has had little success in marketing to other European countries. Now just as the government is planning the introduction of a new financial product to attract European investors, confidence in UK investment management has been shaken by events at Morgan Grenfell.

The Deutsche Bank subsidiary last week had to halt dealings in three of its investment funds after the discovery that Mr Peter Young, one of its star fund managers, had built up massive holdings in illiquid and virtually unsaleable unlisted securities.

Mr Young and another fund manager have been suspended, and auditors are now trying to unravel his investments. No criminal investigation is yet in train, but the Serious Fraud Office is watching the inquiries.

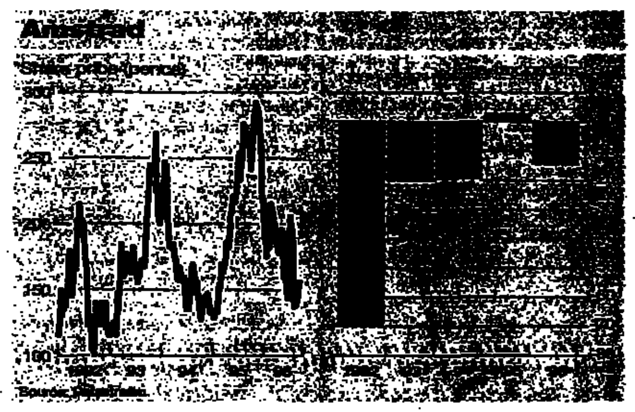
The Securities and Investments Board, the umbrella City regulator, is planning to publish draft regulations on OEICs this month, so that they can be debated by Parliament in November.

Imro is examining changes to rules in the light of the affair.

The SIB's OEIC regulations are similar to its rules governing unit trusts. Changes may include tighter restrictions on shares scheduled for a listing in the next 12 months, which are currently treated as if they were already listed.

Amstrad £15m in loss

By Paul Taylor



Amstrad, the restructured personal computer and digital telephone group, reported annual pre-tax losses of £14.9m. This included £10.7m charges to cover redundancies and other consumer electronics costs.

With results in line with expectations and a positive outlook, the shares recovered 14p to 152½p, while remaining well below their 293½p peak of late last year.

The pre-tax loss for the group, which recently folded its lossmaking consumer electronics business into Betacom, its majority owned but separately quoted subsidiary, compares with profits of £3.06m to June 1995.

Sales increased to £329.3m (£271.6m) but operating loss widened to £14.9m (£5.16m).

The figures included £300,000 costs related to the aborted merger talks with Psion.

The exceptionals were partly offset by net interest received of £6.3m (£7.2m).

Mr Alan Sugar, chairman, said the traditional consumer electronics business continued to experience very tough market conditions, especially in Germany, and further losses were incurred.

Dancall reached target production levels and sales grew substantially to £100m.

Disposal plan at Rexam

By Patrick Harverson

The new management team at Rexam yesterday outlined plans for a string of disposals at the packaging, printing and coated products group.

However, it insisted the new strategy would not include the sale of non-core businesses such as building and engineering.

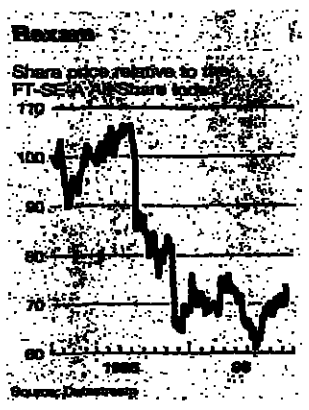
Reporting a fall in first-half 1996 pre-tax profits from £111m to £83m ($129m) on unchanged turnover of £1.15bn, Mr Rolf Börjesson, who took over as chief executive in July, said 15-20 "underperforming" companies with combined sales of £200m-£300m in five of Rexam's seven industry groupings would be sold.

The disposals, which follow the recent sale of three units, would be supplemented by a restructuring of remaining businesses aimed at boosting their performance and improving the group's overall return on net assets from 17 to 25 per cent, he said.

Write-offs and restructuring provisions – the latter measured in "tens of millions" of pounds – would be taken once the reorganisation programme was completed, Mr Börjesson said.

LEX COMMENT

Rexam



Rexam's new management got off to a refreshingly honest start yesterday. While his predecessor as chief executive claimed to have built a high-growth packaging company, Mr Rolf Börjesson sees an unwieldy conglomerate which has frittered away record amounts of capital spending. Almost 60 per cent of the group's businesses – with sales of £1.4bn – do not earn their cost of capital at the moment. Mr Börjesson's solution looks on the right track. He is replacing Rexam's vague geographic divisions with a clearer management structure focused on markets and customers. The previous obsession with return on sales is being dropped in favour of an emphasis on cash generation and a 25 per cent target return on net assets – though this is less ambitious than it looks, since it is stated after writing off goodwill on past acquisitions. The spin-off for investors is better quality financial information and more of it.

Even so, Rexam will take years to fix. As many as 40 of the smaller businesses may have to be disposed of, which will prove a tortuous process. Ironically, some of the worst offenders are in core areas like food and beauty packaging, while the peripheral engineering operations are too profitable to sell. The danger is that in his drive to improve returns Mr Börjesson shrinks the sales base so fast that Rexam's net profits do not actually grow – this is more or less what he did in his previous job at Swedish packaging group PLM.

Mercury plans to fight BT

Mercury Communications is planning a big increase in its investment to compete more effectively with British Telecommunications at a local level, writes Hugo Dixon.

Under a plan recently approved by Cable & Wireless, its main shareholder, Mercury would raise its annual capital expenditure to £400m-£450m from about £300m-£350m. Most of the extra investment would be devoted to building local networks – a reversal of strategy for Mercury, which has focused more on long-distance communications.

It is also planning a push into continental Europe where telecoms markets are being opened to competition.

The group is keen to receive licences to carry international calls. The aim would be to attract traffic from continental Europe on to its international network, which fans out from the UK. It also wants to be in a position to offer its multinational customers a pan-European service.

Mercury's European ambitions will require co-ordination with other parts of the C&W group – notably C&W Europe, a joint venture with Germany's Veba. One option being considered is to transfer C&W's stake in C&W Europe to Mercury.

Courtaulds Text charges

By Jenny Luesby

Mr Colin Dyer, the new chief executive at Courtaulds Textiles, yesterday revealed that restructuring the textiles group would cost £35m ($54.6m).

The first tranche of this, amounting to £9.1m, pushed the group to a first half pre-tax loss of £8.5m. Charges of £18.8m, mainly to cover losses on business sales and closures, were offset by a gain of £9.7m on selling the Arab shawl business.

On an underlying basis, pre-tax profits fell from £10.3m to £600,000, following a downturn in the lace market on both sides of the Atlantic.

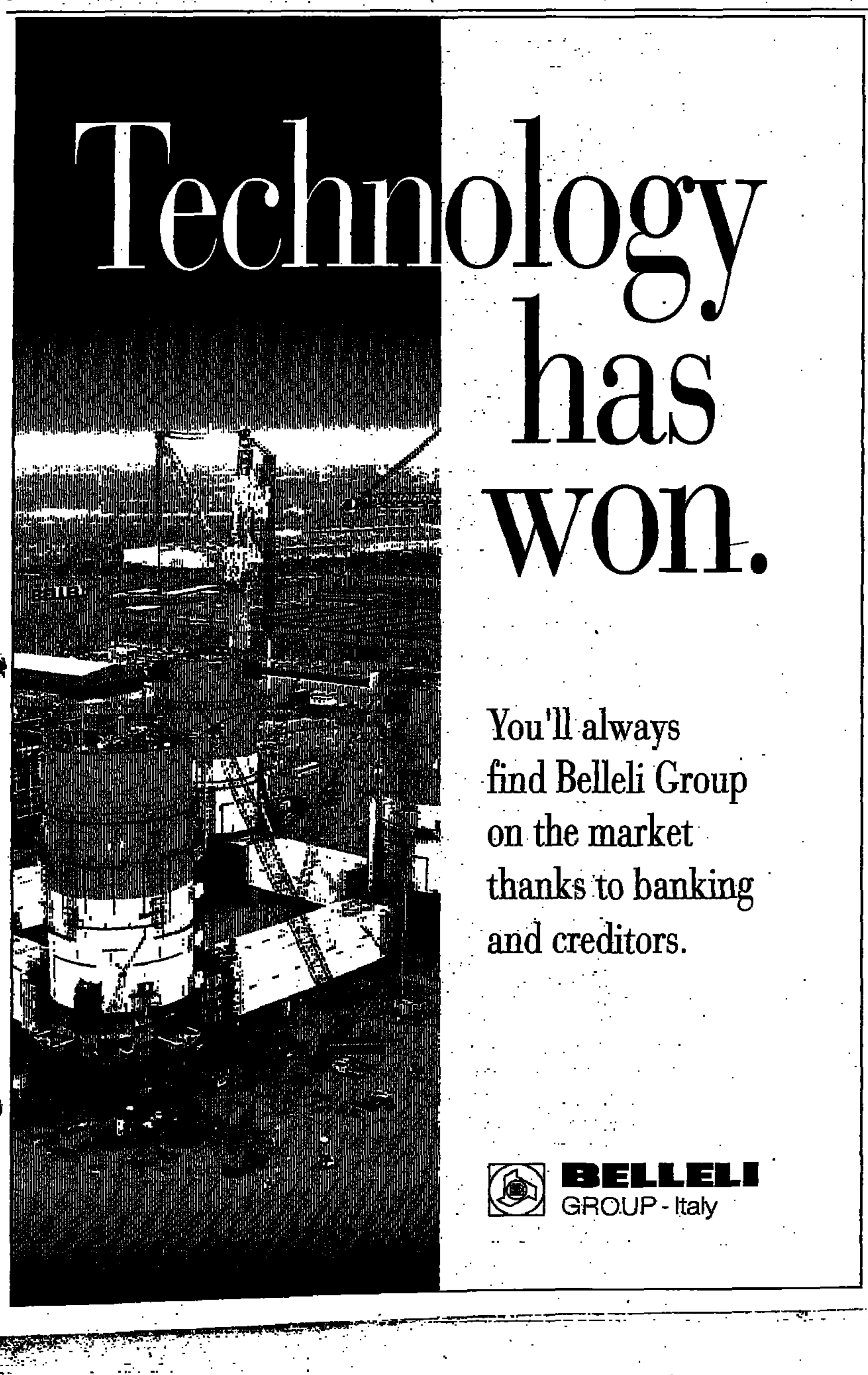
In the UK, sales rose by 7 per cent, but this was offset by a 6 per cent decline in continental Europe and a 20 per cent fall in the US. Overall, sales were static at £456m.

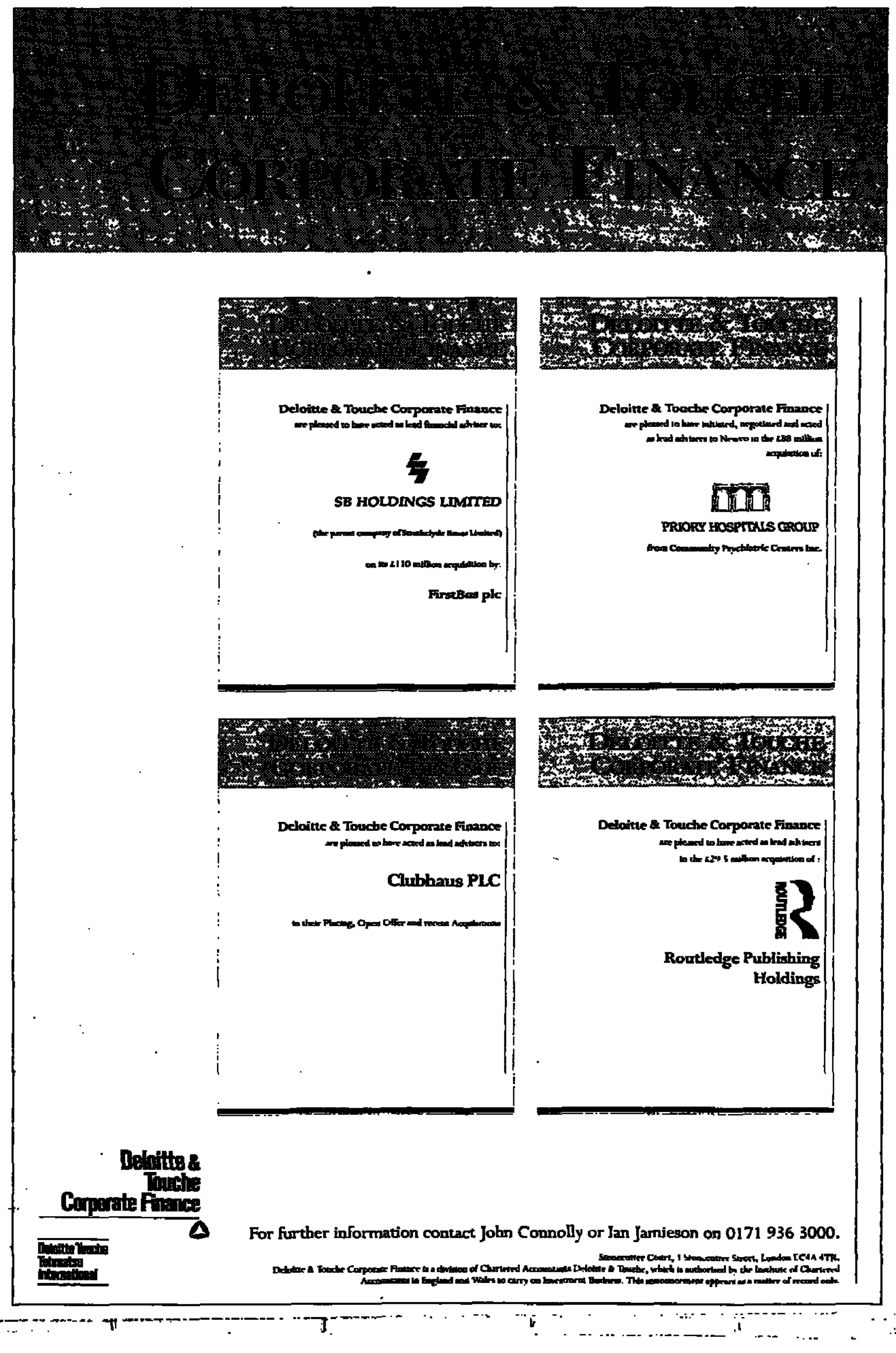
Mr Dyer said the group would require about £10m to cover the cost of factory closures, £5m to relocate production outside western Europe, and £20m to reduce the cost base over 18 months.

Shareholders would be informed of action and progress at each half-year.

Including exceptionals, the loss per share was 8.4p (4.3p earnings). Excluding exceptionals, the loss was 3.7p (8.1p earnings).

The group maintained its interim dividend at 5.2p.





INTERNATIONAL CAPITAL MARKETS

Deals worth $9.5bn mark end of summer lull

By Richard Lapper, Capital Markets Editor

Benchmark issues by the Republic of Italy and the Kingdom of Spain were among the highlights in a busy day on the euromarkets yesterday with a wide range of borrowers raising about $9.5bn in seven different currencies.

The flood of issues marks a decisive end to the quiet summer period and signals growing enthusiasm among institutional investors for dollar-denominated assets and longer-dated paper.

An expected increase in the US Fed funds rate later this month is leading many institutions to reassess their dollar weightings. "There is a perception that in the right environment the dollar will remain strong and a lot of fund managers are readdressing asset allocation," said one syndicate manager.

Many in the market argue that they are also extending the duration of their portfolios, although one pointed out that there is still quite a difference in perceptions.

"Some fund managers are happy to extend duration, others are clearly not," he added, arguing that three-year and five-year deals had enjoyed better responses than 10-year deals yesterday. However, high levels of redemptions and spread compression in secondary trading suggest that the market is "well underpinned", he said.

INTERNATIONAL BONDS

The $1.5bn five-year deal for the Republic of Italy, brought by Morgan Stanley and SBC Warburg, the biggest of a raft of dollar issues, offers a 24 basis points spread over Treasuries and held its price when it was freed to trade.

Syndicate managers said that on the basis of swap spreads it gives Italy a funding rate of a few basis points below Libor, reflecting the steady improvement in the country's creditworthiness.

Italy's outstanding 30-year bond was trading at 103 basis points over Treasuries at the beginning of the year but has now narrowed to 75 basis points over. Moody's, the credit rating agency, upgraded Italy's long-term debt rating in July.

The Kingdom of Spain's Y150bn issue is the first jumbo yen deal to be placed internationally since last summer and was targeted at institutional investors. Book-runner Nikko Europe reported switching by European central banks and UK investment management groups from yen bonds maturing in 2004 and 2005 into what it said would become a benchmark issue.

Priced to yield 7 basis points over the JGB 187, the spread widened marginally when the bonds were freed to trade but Nikko said it was "satisfied the spread will not widen further". More than 40 per cent of the bonds will be placed with investors outside Japan, with the remainder targeted at Japanese institutions.

The Kingdom of Sweden took advantage of French institutional demand for longer-dated paper, according to syndicate managers at ABN Amro, joint book-runners.

Priced to yield 17 basis points over French government bonds, the spread on its 12-year FFr3bn bond widened marginally when the bond were freed to trade but life insurance companies and other French institutions are expected to be steady buyers over the next few weeks.

Today, another big issuer, France Telecom, will return to the market after an absence of nearly two years with a five-year $400m issue, brought by Morgan Stanley and Société Général.

The European Investment Bank's $1bn 10-year deal and the Tennessee Valley Authority's DM1.5bn bond were launched yesterday on the basis of price talk of 17 to 18 basis points over Treasuries and 16–18 points over bunds, respectively. The bonds will be priced today.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Italy	1.5bn	7.00	99.969R	Sep 2001	0.25R	+24(6½%-01)	M Stanley/SBC Warburg
European Investment Bank	1bn	(a)	(a)R	Sep 2006	0.325R	(a)(7%-06)	CSFB/Lehman Brothers
AT&T UCMT, Class A(b)‡	850	(b1)	100.00R	Sep 2001	0.30R	-	Merrill Lynch & Co
Federal Natl Mtg Assoc(c)	500	(c1)#	(c1)R	Sep 2006	0.325R	+98(7%-06)	Goldman/Lehman Bros
Fed Home Loan Mtg Corp(d)	500	7.256#	100.00R	Sep 2001	0.25R	+58(6½%-01)	JP Morgan Securities
Toyota Motor Credit Corp	300	6.50	99.805R	Sep 1999	0.1875R	+2(6%-99)	Merrill Lynch/Paribas
BGB Finance Ireland(e)	200	6.625	99.865R	Dec 1999	0.1875R	+12(6%-99)	Paribas Capital Markets
Beta Finance Corp	200	6.625	99.77R	Oct 1999	0.1875R	+10(6%-99)	UBS
Advan Co(e)Φ	100	3.50	100.00	Oct 2000	2.25	-	Nomura International
D-MARKS							
Tennessee Valley Authority	1.5bn	(f)	(f)R	Sep 2006	0.325R	(f)(6¼%-06)	Deutsche/Lehman Brothers
MMCCT, 1996-1, Cla A(g)‡	1bn	(g,s)	100.00R	Sep 2001	0.20R	-	Merrill Lynch Bank
North East Finance of Japan	150	5.875	99.563R	Oct 2003	0.30R	+14(6%-03)	Bank of TM/Bayerische LB
Republic of Turkey(h)	150	8.00	102.15	Sep 2000	undisd	-	Commerzbank
YEN							
Kingdom of Spain	150bn	3.10	100.07R	Sep 2006	0.325R	+7(JGB 187)	Nikko Europe
Hamburgische Landesbank★	20bn	(j)	100.50	Dec 2025	0.50	-	Merrill Lynch Intl
SWISS FRANCS							
BNDES	120	7.125	101.40	Oct 2001	2.00	-	Credit Suisse
Deutsche Ausgleichsbank	100	4.00	102.75	Oct 2003	2.50	-	Gottardo/Merrill/ZKB
FRENCH FRANCS							
Kingdom of Sweden(l)	3bn	6.625	99.726R	Oct 2008	0.35R	+17(6½%-08)	ABM Amro HG/CDC
PESETAS							
Eksportfinans	10bn	6.40	100.9161	Oct 2016	2.00	-	(k)
NEW ZEALAND DOLLARS							
Inter-American Dev Bank(l)	100	8.50	100.905	Sep 1997	1.125	-	Toronto Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ΦWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today 17-18bp over Treasuries. b) AT&T Universal Card Master Trust. Legal maturity: Sep 2003. b1) Priced later: 3-mth Libor +9-10bp. b2) Class B: $80m, 3-mth Libor +28-29bp, parR, Sep01 expected. c) Callable from 20/9/99 at par. c1) Priced today. d) Callable from 17/9/98 at par. e) Fixing: 17/9/96. f) Priced today 16-18bp over bunds. g) MBNA Master Credit Card Trust. Legal maturity: 17/2/04. g1) 3-mth Libor +9bp. g2) Class B issued in US$, privately placed. h) Fungible with DM500m. Plus 15 days accrued. j) 5.73% in DM or 6.07% in A$ or 5.73% in US$; issuers choice. k) Joint book-runners: BNA, BSN, BNP and Mutuactivos l) Long 1st coupon. s) Short 1st coupon.

Bankers kept busy with UK bids and deals

By Richard Lapper and Peter John

Bids and deals among medium-sized UK companies are providing bankers with steady business to offset a temporary lull in mergers and acquisitions activity affecting UK utilities and other large UK corporates.

SYNDICATED LOANS

Two deals went into general syndication last week. A five-year £70m revolving loan and £60m term loan to finance an agreed bid by pubs and hotels group Ascot Holdings for Souter, the industrial conglomerate, carries a margin of 75 basis points above Libor.

And a five-year £250m loan for Inspec, the former BP chemicals company which is bidding to acquire Shell's speciality chemicals business, went into general syndication last Friday.

Originally underwritten by Midland, Barclays and Bank of Scotland, the Inspec loan also carries a margin of 75 basis points over Libor.

In a bigger deal this month, Barclays and Midland were involved with Bayerische Landesbank – with each bank supplying "identical bilateral facilities" – in a £347m total financing facility to part finance an agreed bid by Booker, the cash and carry group, for rival Nurdin and Peacock.

"This has been a big growth area over the last two or three months and there are more deals to come," said one banker.

Meanwhile, continuing competition in the market has been demonstrated by the response of banks to the syndication of the £500m loan for British Energy.

British Energy raised £215m in general syndication, more than double the minimum target level of the arranging banks. Ten banks were either arrangers or co-arrangers, while 20 other banks supported the loan in syndication.

"By all accounts it went better than market expectations, especially given the limited appetite for the nuclear industry," said one banker.

Credit Suisse is preparing to launch a seven-year $700m revolving credit for Volvo Group Finance Europe. The money will be used to refinance $1.04bn of credit provided last year.

The terms are more favourable than they were a year ago, and also more favourable than another Volvo deal signed earlier this year.

The maturity has been extended from five years last year to seven years and pricing has been cut to a level which, according to some bankers, establishes a new benchmark low for comparably rated companies.

The margin is expected to fall to only 15 basis points above Libor for the first five years, compared with 20 points for the first three years of last year's deal, and for the final two years it is 17.5 points above Libor compared with 25 points previously.

These levels do not include a utilisation fee of 3 to 5 basis points, depending on the level of drawdown.

A refinancing deal by Volvo in April had a steeper pricing range of 17.5 to 22.5 basis points over Libor with a utilisation fee of 5 basis points.

US Treasury prices retreat on inflation jitters

By Lisa Bransten in New York and Samer Iskandar in London

European bonds were once again confined to the back seat, as bearish US Treasuries led the way. A stronger dollar, however, allowed Europe's high-yielders to continue outperforming German bunds. Italian BTPs, in particular, saw fresh buying as the lira reached a high of L1,004 against the D-Mark.

■ Inflation jitters led US Treasuries to give back some of the sharp gains made in the past two sessions in early trading. Near midday, the benchmark 30-year Treasury was [illegible] lower at 95[illegible] to yield 7.125 per cent, the two-year note was off [illegible] at 99[illegible] yielding 6.330 per cent and the December 30-year bond future was down [illegible] at 106[illegible].

The spread between two-year to 30-year yields held steady at 80 basis points.

Ms Janet Yellen, a member of the Federal Reserve's board of governors, threw a scare into the market by telling the Reuters news agency that the US was in an "inflation danger zone".

The Fed's Open Market Committee is to meet in two weeks' time and many on Wall Street expect a 25 basis point increase in short-term interest rates.

GOVERNMENT BONDS

In the past several sessions the market had rallied as economic data turned out not to be as strong as many had feared, thus reducing the chances of an aggressive move by the Fed to slow the economy.

"I think there was a degree of complacency that one [interest rate increase] in September would do the trick," said Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York.

Traders are anxiously awaiting data on inflation and retail sales – which are due to be released tomorrow and on Friday – for a reading about the potential for an emergence of inflationary pressures.

■ Italian and Spanish bonds narrowed their 10-year spreads over bunds by another 3 basis points to 301 and 229 basis points respectively.

Liffe's December BTP future closed 0.21 higher at 116.51, while the Spanish September bono future, traded on Meff, gained 0.17 to settle at 102.38. Both markets were hit by profit-taking after the morning's strong gains, and closed off their highs.

■ UK gilts suffered in line with other markets in the afternoon, closing unchanged. Liffe's December long gilt future fell from a high of 106[illegible] at mid-day to settle at 106[illegible], the same level as Monday.

■ French bonds followed bunds and Treasuries, reversing in the afternoon gains made earlier.

Matif's September notional future retreated from its intra-day highs after failing to trade durably above the psychologically important level of 124.00. It closed at 123.90, up 0.08. In the cash market, the 10-year yield spread over bunds was unchanged at 3 basis points.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.5650	+0.190	8.13	8.28	8.35
Austria		6.250	05/06	98.9900	+0.090	6.29	6.39	6.42
Belgium		7.000	05/06	102.9600	+0.070	6.57	6.64	6.73
Canada *		7.000	12/06	97.0700	+0.049	7.41	7.52	7.65
Denmark		8.000	03/06	104.5800	-0.080	7.30	7.39	7.34
France	BTAN	5.500	10/01	100.1260	+0.180	5.47	5.60	5.41
	OAT	7.250	04/06	106.1900	+0.040	6.36	6.43	6.35
Germany Bund		6.250	04/06	99.3700	-0.020	6.33	6.40	6.37
Ireland		8.000	08/06	102.8000	-	7.58	7.63	7.66
Italy		9.500	02/06	102.2100	+0.460	9.14†	9.36	9.30
Japan	No 140	6.600	06/01	120.7647	-0.060	1.85	1.90	2.30
	No 182	3.000	09/05	100.4631	-0.040	2.94	3.00	3.30
Netherlands		8.500	06/06	115.9600	+0.020	6.25	6.34	6.37
Portugal		11.875	02/05	119.7000	+0.350	8.49	8.64	8.67
Spain		8.800	04/06	100.8700	+0.200	8.64	8.85	8.90
Sweden		6.000	02/05	87.7192	+0.220	8.06	8.19	8.34
UK Gilts		8.000	12/00	103-10	-2/32	7.07	7.07	7.17
		7.500	12/06	97-11	-	7.88	7.91	7.90
		9.000	10/08	107-19	-	8.01	8.03	8.01
US Treasury *		7.000	07/06	100-17	+2/32	6.92	6.96	6.81
		6.750	08/26	95-22	+7/32	7.10	7.13	7.00
ECU (French Govt)		7.500	04/05	104.7200	+0.110	6.75	6.83	6.81

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.33
Prime rate	8¼	Two month	-	Three year	6.50
Broker loan rate	7	Three month	5.30	Five year	6.70
Fed funds	5¼	Six month	5.55	10-year	6.92
Fed funds at intervention	-	One year	5.89	30-year	7.10

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	124.00	123.90	+0.08	124.06	123.88	121,902	113,456
Dec	122.56	122.42	+0.06	122.58	122.40	46,760	93,241
Mar	122.48	122.34	+0.06	122.48	122.36	162	12,863

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
120	-	-	-	0.01	-	0.20
121	-	1.76	1.98	0.02	0.15	0.33
122	0.66	-	1.25	0.07	0.28	0.53
123	0.15	0.48	0.74	0.24	0.55	0.79
124	0.03	-	0.38	0.89	1.02	1.28

Est. vol. total, Calls 13,555 Puts 9,591. Previous day's open int., Calls 98,684 Puts 97,094.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.99	96.84	+0.02	97.05	96.76	133222	194275
Mar	96.00	95.86	-0.01	96.00	96.00	173	1320

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9650	0.52	0.80	1.02	0.98	0.18	0.46	0.68	1.62
9700	0.23	0.53	0.75	0.77	0.39	0.69	0.91	1.91
9750	0.07	0.32	0.52	0.60	0.73	0.98	1.18	2.24

Est. vol. total, Calls 10020 Puts 8121. Previous day's open int., Calls 119170 Puts 122965

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	116.60	116.51	+0.21	116.77	116.41	52027	59545
Mar		116.01	+0.21			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11650	1.41	1.94	1.40	2.43
11700	1.13	1.73	1.62	2.72
11750	0.91	1.52	1.90	3.01

Est. vol. total, Calls 7090 Puts 4240. Previous day's open int., Calls 59016 Puts 80727

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	102.38	102.13	+0.17	102.55	102.27	61,420	45,953
Dec	101.87	101.65	+0.16	102.01	101.78	9,245	20,558

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-12	107-08	-	107-14	107-07	5194	35480
Dec	106-22	106-17	-	106-26	106-12	42149	96018

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
106	0-50	1-12	1-33	1-50	0-16	0-42	0-63	1-60
107	0-18	0-43	0-63	1-22	0-46	1-09	1-29	2-32
108	0-03	0-22	0-38	0-63	1-33	1-52	2-04	3-09

Est. vol. total, Calls 990 Puts 955. Previous day's open int., Calls 19253 Puts 15299

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.40	92.34	+0.08	92.44	92.30	2,421	4,691
Dec	90.52	90.46	+0.06	90.56	90.42	1,251	4,116

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	107-24	107-11	-0-13	107-29	107-11	29,659	122,436
Dec	107-07	106-25	-0-14	107-13	106-25	201,883	323,751
Mar	107-00	106-16	-0-11	107-00	106-14	2,777	13,256

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.25			121.32	121.18	1990	na
Mar						0	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Sep 10	Day's change %	Mon Sep 9	Accrued interest	xd adj. ytd		Low coupon yield Sep 10	Low Sep 9	Low Yr. ago	Medium coupon yield Sep 10	Medium Sep 9	Medium Yr. ago	High coupon yield Sep 10	High Sep 9	High Yr. ago
1 Up to 5 years (22)	121.69	0.04	121.78	2.22	7.05	5 yrs	7.20	7.20	7.40	7.27	7.27	7.43	7.32	7.32	7.50
2 5-15 years (20)	147.80	0.05	147.73	3.02	7.20	15 yrs	8.10	8.12	7.94	8.12	8.12	7.97	8.12	8.13	8.07
3 Over 15 years (8)	160.99	0.03	160.94	2.81	8.84	20 yrs	8.20	8.21	7.98	8.20	8.20	8.01	8.20	8.22	8.08
4 Irredeemables (6)	185.95	0.37	185.26	4.10	7.36	Irred.†	8.22	8.25	8.07						
5 All stocks (56)	142.34	0.04	142.33	2.73	7.51										

Index-linked							Inflation 5% Sep 10	Sep 9	Yr. ago	Inflation 10% Sep 10	Sep 9	Yr. ago
6 Up to 5 years (1)	200.49	0.06	200.37	3.36	4.43	Up to 5 yrs	2.10	2.13	2.73	0.50	0.53	1.00
7 Over 5 years (11)	189.11	0.02	189.08	1.26	3.43	Over 5 yrs	3.70	3.70	3.51	3.50	3.50	3.33
8 All stocks (12)	189.24	0.02	189.20	1.30	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 10	Sep 9	Sep 6	Sep 5	Sep 4	Yr ago	High*	Low*
Govt. Secs. (UK)	92.76	92.83	92.79	92.92	92.76	94.56	96.34	91.59
Fixed Interest	113.07	112.96	112.97	113.00	113.02	112.94	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 9	Sep 6	Sep 5	Sep 4	Sep 3
Gilt Edged bargains	74.9	77.0	65.2	71.2	81.6
5-day average	74.0	71.0	71.0	77.3	84.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 10

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅝	95⅞		7.14
ABN Amro Bank 7¼ 05	1000	98½	98¾		7.52
African Dev Bk 7⅝ 23	500	94⅞	94⅞	+⅛	7.88
Alberta Province 7⅝ 98	1000	102⅛	102¼		6.52
[illegible]					
Sweden 8 97	2500	105	105⅛		3.48
United Kingdom 7⅛ 97	5500	104	104⅛		3.45
Volkswagen Intl Fin 7 03	1000	104⅞	104½		6.18
World Bank 0 15	2000	32¼	32⅝	+⅛	6.05
World Bank 5⅞ 03	3000	100⅛	100¼		5.85
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100¾	101		7.83
British Land 8⅞ 23 £	150	90⅞	91⅛		10.09
Denmark 6¾ 98 £	800	100⅜	100½		6.53
Depfa Finance 7⅛ 03 £	500	96	96⅛		7.97
EIB 8 03 £	1000	101¾	102	-⅛	7.65
[illegible]					

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound gain on technical trades

By Richard Adams and Kerry Newman

Technical trading and central bank comments sparked a moribund foreign exchange market into action yesterday, driving the dollar and sterling higher at the expense of the D-Mark.

Suggestions by a member of the the Federal Reserve that the US economy looked vulnerable to inflation reinforced the markets' consensus of an interest rate rise to come.

But analysts said technical factors helped the dollar's rise, with strong support and little resistance coming once it leapt above the DM1.50 level.

Both the dollar and sterling ended at recent highs against the D-Mark. The pound's trade-weighted index rose by half a percentage point on the day in London, while short sterling contracts outperformed euromark futures.

The dollar closed against the D-Mark at DM1.5080 in London, up from DM1.4918 the previous day. Sterling rose by more than two pfennigs to a two-month high of DM2.3474, up from DM2.3271.

The dollar also gained against the Japanese yen, to Y109.895, up from Y109.10. Sterling rose to Y171.068, from Y170.20.

The Swiss franc slumped as the Swiss National Bank – known to be concerned at the franc's recent high level – continued to pump liquidity into the money market. Against the dollar the franc ended at SFr1.2332, from SFr1.2164.

The Italian lira continued its movement towards a possible European monetary system re-entry point of L1,000 to the D-Mark. It ended the day at L1,008, having been L1,011.

■ The dollar yesterday regained the ground it lost on July 16, when it suffered its biggest one-day drop against the D-Mark this year as New York share prices fell sharply.

"A monkey with a pencil would have known about this chart point and it certainly wasn't a difficult one to spot," said one trader.

The first upward pressure came when the dollar easily cleared DM1.50. Traders said that fund buying then triggered stop-loss buying at that level, and gave the dollar momentum up to the key DM1.5050 level.

The dollar rose further after Mrs Janet Yellen, a governor of the Federal Reserve, said in an interview with Reuters that the US economy was in an inflationary "danger zone," and that the Fed must be alert to the risks of continued expansion.

■ The release today of the Beige Book survey in the US will provide evidence of the economy's further expansion. Mrs Yellen's comments warned of the dangers of tightness in the labour market, following the evidence of last Friday's non-farm payroll figures showing a fall in unemployment to 5.1 per cent.

But Mr Philip Braverman, chief economist at DKB Securities in New York, said the rise in employment wasn't as clear-cut as it seemed.

Speaking in London, Mr Braverman said the number of part-time jobs and temporary and contracted work had significantly increased in the US.

"Five per cent of Americans say that their job will not last one year, with another fifteen per cent of Americans underemployed," Mr Braverman said.

Mr Braverman said that he did not expect to see any movement in interest rates until after the election, when there might even be a rate cut.

"The Fed is vulnerable now, because a change in interest rates could cause a stock market crash resulting in a Dole victory. This would lead to Alan Greenspan [chairman of the Federal Reserve] being blamed," he said.

■ The Swedish kroner was little affected against European currencies after a small 10 basis point cut in the Riksbank's repurchase rate, to 5.15 per cent. Yesterday it closed at SKr6.7194 against the dollar, from SKr6.6482.

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■ Pound in New York

Sep 10	–Latest–	– Prev. close –
£ spot	1.5570	1.5570
1 mth	1.5565	1.5574
3 mth	1.5565	1.5575
1 yr	1.5598	1.5546

■ OTHER CURRENCIES

Sep 10	£	$
Czech Rp	41.1672 - 41.2169	26.4620 - 26.4720
Hungary	238.410 - 239.355	153.160 - 153.240
Iran	4671.03 - 4685.60	3000.00 - 3009.00
Kuwait	0.4664 - 0.4674	0.2997 - 0.3002
Poland	4.2237 - 4.2334	2.7782 - 2.7832
Russia	8363.56 - 8371.89	5374.00 - 5377.00
U.A.E.	5.7161 - 5.7199	3.6729 - 3.6731

WORLD INTEREST RATES

MONEY RATES

September 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3⅜	6.00	2.50	-
week ago	3⅛	3⅛	3⅛	3⅛	3¼	6.00	2.50	-
France	3½	3⅝	3⅝	3⅞	4	3.35	-	4.75
week ago	3⅞	3⅞	3⅞	4⅛	4⅛	3.35	-	4.75
Germany	3¼	3¼	3¼	3⅜	3⅝	4.50	2.50	3.00
week ago	3¼	3¼	3¼	3⅜	3⅝	4.50	2.50	3.00
Ireland	5¼	5⅜	5⅝	5⅝	6⅛	-	-	6.25
week ago	5½	5⅜	5⅝	5⅝	6⅛	-	-	6.25
Italy	8⅛	8⅜	8⅝	8¼	8¼	-	8.25	8.56
week ago	8½	8⅜	8½	8¼	8¼	-	8.25	8.56
Netherlands	2⅜	2⅜	2⅝	2⅝	3¼	-	3.00	3.30
week ago	2⅜	2⅜	2⅝	2⅝	3¼	-	3.00	3.30
Switzerland	1⅜	1⅝	2⅛	2⅛	2⅛	-	1.50	-
week ago	1⅜	1⅝	2⅛	2⅛	2⅛	-	1.50	-
US	5⅛	5⅜	5⅛	5⅝	6⅛	-	5.00	-
week ago	5⅛	5⅜	5½	5⅜	6⅛	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅞	6⅛	-	-	-
week ago	-	5⅝	5⅝	5⅝	6⅛	-	-	-
US Dollar CDs	-	5.18	5.34	5.50	5.82	-	-	-
week ago	-	5.18	5.31	5.52	5.90	-	-	-
ECU Linked Ds	-	4⅛	4⅜	4⅛	4⅝	-	-	-
week ago	-	4⅛	4⅛	4⅝	4⅝	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅝	3⅜	-	-	-
week ago	-	3⅛	3⅛	3⅝	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛	3⅞ - 3⅜
Danish Krone	3½ - 3⅜	3⅝ - 3½	3⅝ - 3⅝	4 - 3⅞	4⅛ - 3⅞	4⅜ - 4⅛
D-Mark	3 - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 2⅞	3⅜ - 3⅛	3⅝ - 3⅜
Dutch Guilder	2⅞ - 2⅝	2¾ - 2⅝	2¾ - 2⅝	2⅞ - 2¾	2⅞ - 2⅞	3⅛ - 3⅛
French Franc	3⅝ - 3⅛	3⅝ - 3⅜	3⅞ - 3⅝	4 - 3⅞	4⅛ - 4	4¼ - 4⅛
Portuguese Esc.	6⅞ - 6⅞	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅜ - 7¼	7⅜ - 7¼
Spanish Peseta	7⅝ - 7⅜	7⅜ - 7⅛	7¼ - 7⅛	7⅜ - 7⅛	7¼ - 7⅛	7⅜ - 7⅛
Sterling	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	6⅛ - 6
Swiss Franc	1⅞ - 1⅝	1⅞ - 1⅝	2⅛ - 1⅞	2⅛ - 2⅛	2¼ - 2⅛	2⅜ - 2¼
Can. Dollar	4 - 3⅞	4⅛ - 3⅞	4⅛ - 3⅞	4⅜ - 4⅛	4⅝ - 4⅜	4⅞ - 4⅝
US Dollar	5¼ - 5⅛	5⅜ - 5⅛	5⅜ - 5¼	5⅝ - 5⅜	5⅞ - 5⅝	6⅛ - 6
Italian Lira	8⅞ - 8	8½ - 8¼	8⅝ - 8½	8⅝ - 8⅜	8½ - 8⅜	8⅝ - 8¼
Yen	½ - ⅜	½ - ⅜	⅝ - ½	½ - ⅜	⅝ - ½	⅝ - ½
Asian $Sing	2⅞ - 2⅝	3⅜ - 3¼	3⅝ - 3⅜	3⅝ - 3⅜	3⅜ - 3¼	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.15	96.13	+0.03	96.16	96.10	17,264	39,791
Dec	96.02	95.99	+0.03	96.03	95.95	24,857	54,334
Mar	95.99	95.99	+0.04	96.02	95.96	625	37,886

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.85	96.84	-	96.86	96.83	23145	155456
Dec	96.78	96.76	-0.01	96.79	96.75	25790	223212
Mar	96.66	96.61	-0.03	96.66	96.60	23702	207633
Jun	96.45	96.40	-0.03	96.46	96.38	25661	152653

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.50	91.52	+0.05	91.53	91.49	9057	36312
Dec	91.98	91.97	+0.03	92.00	91.95	13618	53452
Mar	92.28	92.26	+0.01	92.29	92.26	2678	26820
Jun	92.38	92.37	+0.02	92.38	92.35	1762	20938

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.86	97.85	-0.01	97.87	97.84	4161	21952
Dec	97.84	97.82	-0.02	97.86	97.81	6310	40573
Mar	97.66	97.66	-	97.70	97.66	3966	14446
Jun	97.46	97.44	+0.01	97.46	97.43	561	5149

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.45	99.45	-0.01	99.45	99.45	500	na
Dec	99.28	99.27	-0.02	99.28	99.27	105	na
Mar	99.10	99.08	-0.04	99.10	99.08	400	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.71	95.71	+0.02	95.71	95.69	588	8300
Dec	95.70	95.69	+0.01	95.71	95.68	1199	6928
Mar	95.62	95.62	+0.02	95.62	95.60	267	3179
Jun	95.43	95.45	+0.03	95.45	95.43	179	3005

* LIFFE futures also traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5183	+0.1425	114 - 252	16.5292	16.3983	16.497	2.3	16.4121	2.6	-	-	105.0
Belgium	(BFr)	48.3356	+0.3983	169 - 542	48.3680	47.9770	48.2408	2.4	48.0508	2.4	47.2808	2.2	108.8
Denmark	(DKr)	9.0473	+0.0715	437 - 508	9.0522	8.9862	9.0395	1.8	9.0132	1.5	8.9054	1.6	107.8
Finland	(FM)	7.1118	+0.0615	058 - 187	7.1170	7.0240	7.1089	0.7	7.0988	0.7	-	-	84.9
France	(FFr)	8.0082	+0.0619	048 - 115	8.0160	7.9594	7.994	2.1	7.97	1.9	7.8632	1.8	108.4
Germany	(DM)	2.3474	+0.0203	464 - 483	2.3492	2.3319	2.3423	2.5	2.3328	2.5	2.2805	2.4	108.7
Greece	(Dr)	373.843	+2.812	481 - 605	373.825	370.022	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9659	+0.0021	652 - 666	0.9666	0.9627	0.9654	0.5	0.9642	0.7	0.9597	0.6	100.2
Italy	(L)	2365.03	+13.38	464 - 742	2367.80	2352.31	2371.28	-2.8	2381.43	-2.8	2413.03	-2.0	77.1
Luxembourg	(LFr)	48.3356	+0.3983	169 - 542	48.3680	47.9770	48.2408	2.4	48.0508	2.4	47.2808	2.2	108.8
Netherlands	(Fl)	2.6296	+0.0214	286 - 306	2.6311	2.6141	2.6237	2.8	2.6117	2.7	2.554	2.5	107.0
Norway	(NKr)	10.0692	+0.078	645 - 738	10.0765	9.9510	10.0607	1.0	10.0437	1.0	9.9602	1.1	96.8
Portugal	(Es)	240.129	+1.862	997 - 261	240.270	238.582	240.564	-2.1	241.459	-2.2	-	-	95.2
Spain	(Pta)	197.843	+1.476	775 - 910	197.930	196.592	198.103	-1.6	198.613	-1.6	200.018	-1.1	80.6
Sweden	(SKr)	10.4599	+0.0691	513 - 684	10.4689	10.3885	10.4501	1.0	10.4502	0.9	10.4885	0.0	88.5
Switzerland	(SFr)	1.9197	+0.0221	183 - 209	1.9210	1.8991	1.9147	3.1	1.9039	3.3	1.8557	3.3	111.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.1
Ecu	-	1.2400	+0.0089	394 - 406	1.2415	1.2343	1.2387	1.3	1.2357	1.4	1.2224	1.4	-
SDR†	-	1.07316	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5588	-0.003	583 - 572	1.5586	1.5527	-	-	-	-	-	-	-
Brazil	(R$)	1.5865	-0.0009	880 - 889	1.5892	1.5830	-	-	-	-	-	-	-
Canada	(C$)	2.1337	-0.0077	328 - 345	2.1366	2.1287	2.133	0.4	2.1294	0.8	2.1213	0.6	84.1
Mexico	(New Peso)	11.7309	-0.0386	205 - 413	11.7627	11.7194	-	-	-	-	-	-	-
USA	($)	1.5567	-0.0033	563 - 570	1.5590	1.5529	1.5563	0.3	1.5562	0.1	1.5572	0.0	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.9482	+0.0008	471 - 492	1.9497	1.9400	1.9507	-1.6	1.9558	-1.6	1.981	-1.7	94.4
Hong Kong	(HK$)	12.0364	-0.0256	333 - 395	12.0543	12.0086	12.0283	0.8	12.0187	0.7	11.9869	0.3	-
India	(Rs)	55.4947	-0.1176	708 - 185	55.8190	55.4930	-	-	-	-	-	-	-
Israel	(Shk)	4.9245	+0.0056	193 - 296	4.9302	4.8097	-	-	-	-	-	-	-
Japan	(Y)	171.068	+0.877	960 - 177	171.180	169.590	170.343	5.1	168.853	5.2	162.438	5.0	132.6
Malaysia	(M$)	3.8988	-0.0059	951 - 984	3.8997	3.8871	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2409	-0.0016	396 - 422	2.2448	2.2357	2.2459	-2.7	2.2563	-2.6	2.2892	-2.2	109.1
Philippines	(Peso)	40.8154	-0.0787	439 - 868	40.8692	40.7426	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8382	-0.0124	367 - 397	5.8487	5.8249	-	-	-	-	-	-	-
Singapore	(S$)	2.1887	-0.0069	874 - 899	2.1952	2.1841	-	-	-	-	-	-	-
South Africa	(R)	6.9933	-0.0179	878 - 987	6.9990	6.9784	-	-	-	-	-	-	-
South Korea	(Won)	1280.58	+2.12	006 - 110	1281.87	1276.12	-	-	-	-	-	-	-
Taiwan	(T$)	42.8048	-0.0767	874 - 222	42.8478	42.6970	-	-	-	-	-	-	-
Thailand	(Bt)	39.4845	-0.0485	678 - 011	39.7610	39.3410	-	-	-	-	-	-	-

† Rates for Sep 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6115	+0.1136	094 - 136	10.6240	10.5400	10.592	2.2	10.55	2.3	10.3665	2.3	105.1
Belgium	(BFr)	31.0510	+0.321	460 - 560	31.0910	30.8150	30.986	2.1	30.8685	2.1	30.386	2.1	106.7
Denmark	(DKr)	5.8120	+0.0581	110 - 130	5.8187	5.7742	5.8045	1.5	5.7875	1.7	5.7185	1.6	107.2
Finland	(FM)	4.5685	+0.0491	658 - 708	4.5691	4.5101	4.5616	1.7	4.5498	1.6	4.5043	1.4	84.4
France	(FFr)	5.1445	+0.0506	435 - 455	5.1510	5.1095	5.1369	1.8	5.123	1.7	5.054	1.6	108.1
Germany	(DM)	1.5080	+0.0162	077 - 082	1.5098	1.4978	1.5053	2.1	1.4995	2.2	1.4722	2.4	108.4
Greece	(Dr)	240.150	+2.51	980 - 090	240.340	237.820	241.705	-8.4	245.055	-8.4	258.05	-7.9	66.8
Ireland	(I£)	1.6116	-0.007	108 - 124	1.6175	1.6095	1.6121	-0.4	1.613	-0.4	1.6045	0.4	-
Italy	(L)	1519.95	+11.79	940 - 050	1521.72	1510.25	1524.7	-3.8	1532.95	-3.4	1555.6	-2.3	76.5
Luxembourg	(LFr)	31.0510	+0.321	460 - 560	31.0910	30.8150	30.986	2.1	30.8685	2.1	30.386	2.1	106.7
Netherlands	(Fl)	1.6894	+0.0173	890 - 897	1.6915	1.6783	1.6861	2.4	1.6789	2.5	1.6472	2.5	106.7
Norway	(NKr)	6.4686	+0.0687	670 - 700	6.4815	6.4010	6.4655	0.6	6.46	0.5	6.4235	0.7	98.2
Portugal	(Es)	154.260	+1.52	210 - 310	154.350	153.330	154.575	-2.5	155.165	-2.3	157.31	-2.0	95.6
Spain	(Pta)	127.095	+1.215	060 - 110	127.230	126.200	127.345	-2.4	127.775	-2.1	129.315	-1.7	80.4
Sweden	(SKr)	6.7194	+0.0712	155 - 233	6.7257	6.6687	6.7188	0.2	6.7209	-0.1	6.6959	0.3	88.3
Switzerland	(SFr)	1.2332	+0.0166	327 - 337	1.2352	1.2192	1.2297	3.5	1.2222	3.6	1.1887	3.6	111.9
UK	(£)	1.5567	-0.0033	563 - 570	1.5590	1.5529	1.5563	0.3	1.5562	0.1	1.5589	-0.1	85.2
Ecu		1.2554	-0.0112	550 - 557	1.2616	1.2529	1.2562	-0.7	1.2578	-0.8	1.2667	-0.9	-
SDR†	-	0.69763	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0002	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	1.0205	+0.0016	204 - 205	1.0205	1.0184	-	-	-	-	-	-	-
Canada	(C$)	1.3707	-0.0021	704 - 709	1.3719	1.3685	1.3705	0.1	1.3706	0.0	1.3736	-0.2	83.1
Mexico	(New Peso)	7.5360	-0.0075	310 - 410	7.5450	7.5300	7.5975	-25.7	7.8825	-18.4	8.846	-28.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2514	+0.0031	511 - 519	1.2523	1.2463	1.2534	-1.9	1.2589	-1.8	1.2756	-1.9	95.7
Hong Kong	(HK$)	7.7323	-	320 - 325	7.7325	7.7320	7.733	-0.1	7.7348	-0.1	7.7618	-0.4	-
India	(Rs)	35.6500	-	500 - 500	35.8730	35.4500	35.8	-5.0	36.105	-5.1	37.575	-5.4	-
Israel	(Shk)	3.1635	+0.0103	609 - 661	3.1665	3.1582	-	-	-	-	-	-	-
Japan	(Y)	109.895	+0.795	850 - 940	109.950	109.200	109.45	4.9	108.55	4.9	104.81	4.6	133.5
Malaysia	(M$)	2.5033	+0.0015	028 - 038	2.5040	2.5015	2.5042	-0.4	2.5103	-1.1	2.5338	-1.2	-
New Zealand	(NZ$)	1.4395	+0.0021	391 - 401	1.4405	1.4359	1.4426	-2.6	1.4484	-2.5	1.473	-2.3	-
Philippines	(Peso)	26.2200	+0.005	800 - 600	26.2200	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4060	-0.0015	055 - 065	1.4090	1.4055	1.4024	3.0	1.3964	2.7	1.371	2.5	-
South Africa	(R)	4.4925	-0.002	900 - 950	4.4955	4.4900	4.54	-12.7	4.63	-12.2	4.9875	-10.6	-
South Korea	(Won)	822.650	+3.1	500 - 800	822.800	821.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.4980	+0.009	930 - 030	27.5050	27.4870	27.503	-0.2	27.509	-0.1	-	-	-
Thailand	(Bt)	25.3650	+0.0225	600 - 700	25.3750	25.2550	25.4657	-4.7	25.6675	-4.5	26.55	-4.7	-

† SDR rate per $ for Sep 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 9: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.57	4.855	1.998	4894	5.441	20.83	496.7	409.2	21.64	3.970	2.069	4.415	3.221	354.0	2.565
Denmark	(DKr)	53.43	10	8.852	2.594	1.068	2615	2.907	11.13	265.4	218.6	11.56	2.121	1.105	2.359	1.721	189.1	1.371
France	(FFr)	60.36	11.30	10	2.931	1.206	2955	3.284	12.57	299.8	247.0	13.06	2.396	1.249	2.665	1.944	213.7	1.548
Germany	(DM)	20.60	3.855	3.412	1	0.412	1008	1.121	4.291	102.3	84.28	4.457	0.818	0.426	0.909	0.663	72.90	0.528
Ireland	(I£)	50.04	9.365	8.290	2.430	1	2449	2.723	10.42	248.6	204.8	10.83	1.987	1.035	2.209	1.612	177.1	1.284
Italy	(L)	2.043	0.382	0.338	0.099	0.041	100.	0.111	0.426	10.15	8.360	0.442	0.081	0.042	0.090	0.066	7.232	0.052
Netherlands	(Fl)	18.38	3.440	3.045	0.892	0.367	899.6	1	3.829	91.29	75.21	3.977	0.730	0.380	0.811	0.592	65.06	0.471
Norway	(NKr)	48.00	8.984	7.952	2.331	0.959	2350	2.612	10	238.4	196.4	10.39	1.906	0.993	2.119	1.546	169.9	1.231
Portugal	(Es)	20.13	3.768	3.335	0.978	0.402	985.4	1.095	4.194	100.	82.38	4.357	0.799	0.416	0.889	0.648	71.26	0.516
Spain	(Pta)	24.44	4.574	4.049	1.187	0.488	1196	1.330	5.091	121.4	100.	5.288	0.970	0.506	1.079	0.787	86.50	0.627
Sweden	(SKr)	46.21	8.649	7.656	2.244	0.924	2262	2.514	9.627	229.5	189.1	10	1.835	0.956	2.040	1.489	163.6	1.185
Switzerland	(SFr)	25.19	4.714	4.173	1.223	0.503	1233	1.371	5.246	125.1	103.1	5.451	1	0.521	1.112	0.811	89.16	0.646
UK	(£)	48.34	9.047	8.008	2.347	0.966	2366	2.630	10.07	240.1	197.8	10.46	1.919	1	2.134	1.557	171.1	1.240
Canada	(C$)	22.65	4.239	3.753	1.100	0.453	1109	1.232	4.719	112.5	92.69	4.902	0.899	0.469	1	0.730	80.18	0.581
US	($)	31.05	5.811	5.143	1.507	0.620	1520	1.689	6.468	154.2	127.0	6.718	1.232	0.642	1.371	1	109.9	0.796
Japan	(Y)	28.25	5.288	4.680	1.372	0.565	1383	1.537	5.885	140.3	115.6	6.113	1.122	0.584	1.247	0.910	100.	0.725
Ecu		38.96	7.296	6.459	1.893	0.779	1908	2.121	8.121	193.6	159.5	8.435	1.548	0.806	1.721	1.256	138.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6670	0.6629	-0.0046	0.6679	0.6629	37,394	47,282
Dec	0.6714	0.6670	-0.0046	0.6718	0.6670	33,852	29,922
Mar	0.6748	0.6725	-0.0039	0.6748	0.6725	72	1,043

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8183	0.8098	-0.0094	0.8205	0.8098	21,970	28,175
Dec	0.8256	0.8173	-0.0090	0.8269	0.8173	21,490	16,364
Mar	0.8295	0.8265	-0.0075	0.8299	0.8263	185	837

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9150	0.9120	-0.0042	0.9171	0.9110	33,012	55,729
Dec	0.9284	0.9237	-0.0044	0.9284	0.9229	26,065	34,946
Mar	-	0.9406	-	-	-	14	882

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5570	1.5564	-0.0010	1.5580	1.5526	81,709	42,070
Dec	1.5586	1.5550	-0.0022	1.5578	1.5532	18,820	28,689
Mar	1.5660	1.5570	-0.0018	1.5590	1.5560	51	35

UK INTEREST RATES

LONDON MONEY RATES

Sep 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 3	5⅞ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6
Sterling CDs	-	-	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞
Treasury Bills	-	-	5⅝ - 5⅝	5⅝ - 5½	-	-
Bank Bills	-	-	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	-
Local authority deps.	5⅞ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5⅞
Discount Market deps	5⅝ - 5	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Sep 6, 5.6345pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.18	94.18	-	94.19	94.17	6968	62670
Dec	94.20	94.19	-	94.21	94.18	10464	112304
Mar	94.01	94.00	+0.01	94.03	93.99	9516	83424
Jun	93.66	93.65	+0.01	93.69	93.65	4978	70307
Sep	93.28	93.30	+0.03	93.33	93.28	4397	39377

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.18	0.25	0.23	0	0.06	0.23
9425	0.01	0.10	0.13	0.08	0.16	0.36
9450	0	0.02	0.06	0.32	0.33	0.56

Est. vol. total, Calls 4839 Puts 6387. Previous day's open int., Calls 159949 Puts 153930

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Sep 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.956	+0.007	-0.95	2.74	7
Netherlands	2.15214	2.13951	+0.0021	-0.59	2.37	4
Ireland	0.792214	0.787764	-0.002144	-0.56	2.35	4
Portugal	195.792	195.367	+0.094	-0.22	1.99	1
Belgium	39.3960	39.3307	+0.0502	-0.17	1.94	1
Germany	1.91007	1.90896	+0.00205	-0.06	1.83	1
Austria	13.4383	13.4331	+0.0143	-0.04	1.81	0
Denmark	7.28580	7.36121	+0.00423	1.04	0.73	-7
France	6.40608	6.51968	+0.00416	1.77	0.00	-15
NON ERM MEMBERS						
Greece	292.867	304.001	-0.133	3.80	-1.95	-
Italy	2106.15	1926.89	-5.5	-8.52	11.25	-
UK	0.786652	0.816263	-0.003496	3.76	-1.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.540	1.67	1.97	2.39	-	0.28	0.70
1.550	0.76	1.28	1.77	0.04	0.58	1.07
1.560	0.16	0.75	1.25	0.44	1.05	1.56
1.570	0.09	0.38	0.85	1.24	1.68	2.14
1.580	0.05	0.16	0.54	2.21	-	-

Previous day's vol., Calls 4,743 Puts 2,791. Prev. day's open int., Calls 166,883 Puts 152,412

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.33	94.33	-	94.35	94.33	29,983	329,260
Dec	93.95	93.92	-0.03	93.97	93.91	62,408	475,170
Mar	93.80	93.76	-0.04	93.82	93.75	63,119	340,950

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.88	94.86	-0.01	94.87	94.85	1,675	2,950
Dec	-	94.52	-0.03	94.57	94.51	308	3,836
Mar	94.38	94.36	-0.02	94.40	94.36	149	1,260

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9675	0.10	0.06	0.08	0.11	0.01	0.05	0.07	0.10
9700	0	0.01	0.02	0.02	0.16	0.25	0.26	0.26
9725	0	0	0.01	0	0.41	0.49	0.50	0.49

Est. vol. total, Calls 6793 Puts 2689. Previous day's open int., Calls 426711 Puts 357180

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9800	0.01	0.09	0.12	0.16	0.27	0.46
9825	0	0.04	0.05	0.40	0.47	0.64

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9423 Puts 6480

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9150	0.05	0.56	0.87	0.03	0.09	0.11
9175	0.01	0.36	0.68	0.24	0.16	0.17
9200	0	0.23	0.51	0.48	0.26	0.25

Est. vol. total, Calls 4095 Puts 1380. Previous day's open int., Calls 90659 Puts 44959

COMMODITIES AND AGRICULTURE

Uranium miners see light at end of tunnel

Prices have doubled over the past 15 months writes Kenneth Gooding

It has been a brutal ten years for uranium miners. Prices in the free market have been only half the level most of them need to break even; mines have shut in Africa, Canada and the US. After the collapse of the former eastern bloc, the entire uranium production industries of Bulgaria and Slovenia, as well as the large industry in east Germany, closed down. Hungary has indicated it will stop production at the end of 1997. In the ten years nearly nine out of ten employees have left the industry.

But suddenly sentiment has changed.

Since the middle of last year uranium prices have doubled to about US$15.50 a pound. For the first time in nine years there was an increase in uranium production in 1995, by 8 per cent to 34,000 tonnes.

This still left output 43 per cent below the 1988 level. However, companies in Australia, Canada, Kazakhstan and the US announced in the past 14 months that they were to increase production capacity.

Beleaguered uranium miners will also take heart from the latest global supply and demand survey compiled by the Uranium Institute, an international association of producers and consumers. The survey suggests that, even taking the most cautious view of the nuclear power industry's prospects and the ability of existing uranium stocks to provide its requirements, much more mining capacity is required to meet expected demand for the material.

But delegates at the institute's symposium in London last week agreed that present prices were still too low to encourage producers to develop new capacity. They were unable to be specific because of anti-trust worries but all agreed that "substantial" price increases were required.

Just as important to the industry as the rising price is a change in perception about uranium availability among those utilities that use it. These utilities are the uranium mining companies' only commercial customers because the material has no other civil use except for energy generation. The price of uranium does not matter much to the power utilities as it accounts for only about 2 per cent of their total costs. But continuity of supply certainly is important to them.

Mr Horst Keese, senior adviser to Nukem of Germany on nuclear matters and chairman of the group of institute members responsible for the survey, said the positive signs since mid-1995 "may indicate that supply in the uranium market is becoming tighter and signal the end of the consumers' perception of unlimited supply availability".

That perception has been virtually unshakeable since the mid-1980s. Uranium prices had peaked at more than $43 a pound in 1978 when oil costs were rising sharply and demand for nuclear energy was expected to grow substantially. Over-optimistic demand forecasts contributed to a build up of nearly 80,000 tonnes of surplus uranium in stocks at power companies.

Brokers and other intermediaries were able to convince some utilities to make these surplus stocks available to new consumers. Thus, a new supply source hit the market which changed dramatically and prices collapsed. By 1992 the free market price was below $8 a pound.

It became worthwhile for producers with unbreakable long term supply contracts with utilities – at prices sometimes above $20 a pound – to close mines and instead buy what they needed from the free market.

To compound the uranium producers' difficulties, brokers then gained access to surplus stocks in the Commonwealth of Independent States as the new republics became desperate for hard currency earnings. However, as uranium imports to the US and the European Union from the former Soviet Union increased from 105 tonnes in 1988 to about 5,600 tonnes in 91, some countries, worried about becoming too dependant on CIS material, imposed import curbs.

Consequently, a two-tier price system developed in the free market: for "restricted" and "unrestricted" uranium.

In 1994 the price of restricted uranium fell to $7 a pound, an all-time low for the material.

There was one more blow to come. In the early 1990s, better relations between the world's superpowers meant that military stocks of uranium might become available for civil use.

Already Russia has agreed that the US can convert highly enriched uranium, used in nuclear weapons, to low-enriched uranium, which can be blended for use as commercial nuclear fuel. The 500 tonnes of so-called HEU to be converted is equivalent to 150,000 tonnes of commercial fuel. This is enough to keep the west's nuclear reactors supplied for about three years. The institute's survey projects that the Russian material will enter the market starting in 1999 at the rate of 3,000 tonnes a year, increase steadily to about 5,000 in 2003, rise to 7,700 by 2009 and remain at that level to about 2020.

This is in line with the US promise that the arrangement will "have no adverse impact on US consumers or the mining and processing industries." Even so, the weapons grade uranium deal contributed to the impression that the global uranium stocks remained extremely high.

The institute's survey goes a long way towards dispelling this impression. It says: "Adequate supply in the nuclear fuel market over the forecast period [to 2015] is heavily dependent on new mines coming into production as planned over the next five to seven years. It is also likely that the full volume of recycled materials, both reprocessed spent fuel and ex-military HEU, will be required to meet market demand. It is likely that supply from further new mines or other sources will be required".

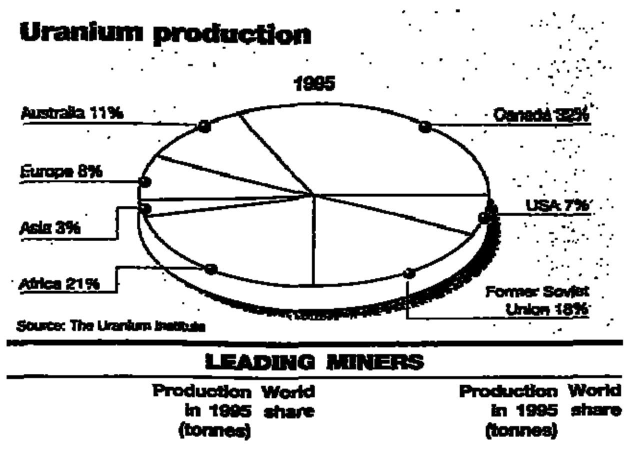
In its "reference scenario" the survey sees world nuclear power production moving up from 339,000 megawatts last year to 362,000 in 2000, to 401,000 in 2010 and to 411,000 megawatts in 2015.

This would involve uranium requirements going up from 60,000 tonnes last year, to 66,600 in 2000, to 74,800 in 2010 and 75,600 tonnes in 2015. On the other hand, supply from mines, 39,000 tonnes last year, is predicted to be between 54,500 and 61,400 tonnes in 2000, between 58,300 and 70,100 tonnes in 2010 and between 57,800 and 69,500 tonnes in 2015.

Mr Keese said: "The gap between supply and demand before 2000 can probably be filled by drawing down utility excess stocks. But adequate supply is heavy dependent on new primary production capacity being approved and coming into operation as planned".

Global Nuclear Fuel Market: Supply and Demand 1995-2015: £750 from the Uranium Institute, Bowater House, 68 Knightsbridge, London SW1X 7LT, UK.

Uranium production



Source: The Uranium Institute

LEADING MINERS

	Production in 1995 (tonnes)	World share		Production in 1995 (tonnes)	World share
Cameco	5,830	18%	Katep	1,630	5%
Cogema	4,199	13%	RTZ-CRA	1,375	4%
Uranerz	3,031	9%	WMC	1,162	3%
Priargunsky	2,250	7%	Vaal Reefs	858	2%
Navoi	1,800	6%			
World Total				33,275	

The table reflects equity interest in production facilities. Source: Uranium Institute

LME WAREHOUSE STOCKS
(As at Thursday's close) tonnes

Aluminium	+4,700	to 947,825
Aluminium alloy	-240	to 86,500
Copper	-2,525	to 271,150
Lead	-125	to 110,975
Nickel	+384	to 37,812
Zinc	+3,650	to 658,850
Tin	+60	to 10,165

Thai project could change face of potash industry

By Kenneth Gooding, Mining Correspondent

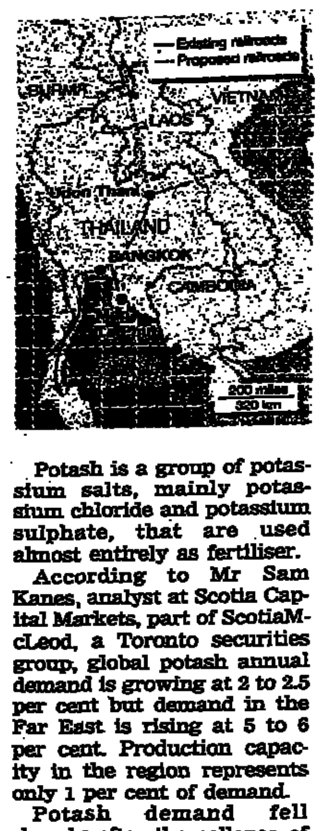
Several big mining companies are considering taking an interest in a major potash discovery in north-east Thailand that has the potential to change the face of the industry, according to Mr Garry Wright, chief executive of Asia Pacific Resources, majority shareholder in the project.

Eight companies have signed confidentiality agreements about the project. Agreements include "stand still" undertakings that prevent the groups acquiring shares in Asia Pacific, which is listed on the New York, Stuttgart, Toronto and Vancouver stock exchanges.

So far, Asia Pacific, since 1993 has outlined two potash fields in its 2,333 sq km concession in the Udon Thani region, 50km south of the Mekong river, which forms the border with Laos. An initial feasibility study suggests that the smaller of these fields, the Somboon, could support a mine with an annual output of 2m tonnes of potash for 24 years. The estimated capital cost would be about US$394.4m.

Total estimated production costs, at $45.69 a tonne, would put the Somboon costs among the lowest in the industry.

Also, transport costs to the Far East markets, which at present import nearly all their potash requirements, would be substantially below those charged by potash producers in Canada and Russia which at present have the biggest market share.



Potash is a group of potassium salts, mainly potassium chloride and potassium sulphate, that are used almost entirely as fertiliser.

According to Mr Sam Kanes, analyst at Scotia Capital Markets, part of ScotiaMcLeod, a Toronto securities group, global potash annual demand is growing at 2 to 2.5 per cent but demand in the Far East is rising at 5 to 6 per cent. Production capacity in the region represents only 1 per cent of demand.

Potash demand fell sharply after the collapse of the centrally planned economies of eastern Europe but recovered from 1994 onwards. There is still considerable surplus capacity – the world's 50 potash mines have annual capacity of about 58m tonnes whereas last year output was about 39.2m tonnes.

Nevertheless, Mr Kanes suggests the surplus will gradually disappear and that should underpin stable, slightly firming potash prices.

Asia Pacific's Mr Wright suggests: "Considering that the Asian market now consumes 30 per cent of world production, it is obvious that the region will have a profound effect on potash demand over the next decade".

The Somboon field is estimated to contain 330m tonnes of high grade sylvinite (potash). A larger field, the Udon, is estimated to contain 1bn tonnes. Mr Wright says: "We believe the Thai potash concession is capable of supporting several potash mines which, subject to market demands, could produce more than 5m tonnes of potash a year."

The first mine could be commissioned as early as 1999.

A second feasibility study has been commissioned to take the Somboon project to the "bankable" stage and also will examine the potential of the Udon field. By the time this study is completed, Asia Pacific, which owns 62.5 per cent of the project, and its Thai partner, the Metro group, with 27.5 per cent, should have identified a "compatible" industry partner for the development and operation of the project. Mr Wright says Asia Pacific might sell all its stake or remain in a minor capacity to give continuity to relationships with the Thai government, which owns 10 per cent.

Crew Holdings, a private Canadian company owned 50-50 by Mr Wright and Mr John Darch, an Asia Pacific director, owns 25 per cent of Asia Pacific.

Kenyan coffee crop boost urged

Kenya's large coffee growers are calling for a switch to a new disease-resistant, high-yielding but lower quality variety, reports Reuters from Nairobi.

They say it is time to sacrifice premiums on top quality coffees for high yields and lower costs guaranteed by the locally-developed Ruiru 11 variety.

Prices realised for Ruiru 11 have been "comparable if not better than for traditional varieties", says a report by Standard Chartered Estate Management.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1432-33	1467.5-68.0
Previous	1447-48	1482-82.5
High/low	1426/1425	1478/1455
AM Official	1426-27	1463-64
Kerb close		1462-63
Open int.	205,422	
Total daily turnover	57,916	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1230-40	1265-70
Previous	1245-55	1280-85
High/low		1270/1268
AM Official	1230-33	1265-68
Kerb close		1265-70
Open int.	4,969	
Total daily turnover	1,365	

■ LEAD ($ per tonne)

Close	815-16	817-18
Previous	814-5	812-3
High/low	810.5	817/810
AM Official	810-10.5	812-12.5
Kerb close		816.6-17.0
Open int.	35,317	
Total daily turnover	7,622	

■ NICKEL ($ per tonne)

Close	7630-30	7720-25
Previous	7505-10	7605-10
High/low	7525	7735/7570
AM Official	7480-85	7585-95
Kerb close		7695-705
Open int.	38,238	
Total daily turnover	18,329	

■ TIN ($ per tonne)

Close	6185-95	6240-45
Previous	6195-200	6245-50
High/low		6250/6230
AM Official	6175-80	6228-30
Kerb close		6240-45
Open int.	15,358	
Total daily turnover	3,611	

■ ZINC, special high grade ($ per tonne)

Close	998-99	1025-26
Previous	1004.5-05.5	1031.5-32
High/low		1034/1021
AM Official	996-97	1023-24
Kerb close		1022.5-23.0
Open int.	65,005	
Total daily turnover	13,360	

■ COPPER, grade A ($ per tonne)

Close	1944-47	1932-33
Previous	1945-47	1932-33
High/low	1935	1933/1910
AM Official	1936-37	1924-25
Kerb close		1924-25
Open int.	196,841	
Total daily turnover	53,175	

■ LME AM Official £/$ rate: 1.5657
LME Closing £/$ rate: 1.5560

Spot 1.5570 3 mths: 1.5565 6 mths: 1.5578 9 mths: 1.5587

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	90.70	+0.20	91.00	89.80	516	5,305
Oct	90.40	+0.10	90.50	89.70	31	1,986
Nov	90.25	+0.15	90.25	89.60	15	1,445
Dec	90.00	+0.15	90.30	88.80	3,243	24,366
Jan	89.40	-0.05	89.50	89.10	5	1,047
Feb	88.90	-0.10	89.00	89.00	22	808
Total					4,821	64,718

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.20-383.70		
Opening	382.20-382.70		
Morning fix	382.45	246.059	469.266
Afternoon fix	383.10	246.129	472.477
Day's High	383.25-383.75		
Day's Low	382.10-382.60		
Previous close	383.40-383.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month .... 4.25 6 months 3.98
2 months .... 4.19 12 months 4.02
3 months 4.17

Silver Fix	p/troy oz.	US cts equiv
Spot	327.10	508.50
3 months	331.40	515.00
6 months	335.30	521.55
1 year	343.95	535.55

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	248-250
Maple Leaf	389.40-391.90	
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	[illegible]					
Jan	[illegible]					
Apr	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
Jun	[illegible]					
Total	[illegible]					

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total	[illegible]					

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ CRUDE OIL IPE ($/barrel)

Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ GAS OIL IPE ($/tonne)

Sep	[illegible]					
Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Total	[illegible]					

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Total	[illegible]					

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
[illegible]

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

■ GSCI Spot (Base: 1970=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	72.325	+0.325	72.450	71.950	5,861	38,868
Dec	68.525	-0.15	68.750	68.425	4,517	27,569
Feb	65.550	-0.175	65.800	65.500	1,652	14,785
Apr	67.175	-0.15	67.375	67.075	398	5,992
Jun	65.075	-0.225	65.400	65.050	136	2,829
Aug	65.100	-0.2	65.300	65.100	214	2,898
Total					12,778	93,001

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	54.325	+0.525	54.800	53.850	3,012	11,438
Dec	55.650	+0.725	55.725	54.400	3,093	11,607
Feb	75.800	+0.375	75.950	75.200	584	4,227
Apr	73.075	+0.375	73.250	72.550	36	1,712
Jun	78.200	+0.3	78.500	77.500	15	1,631
Jul	76.000	+0.3	76.050	75.450	87	353
Total					6,836	31,248

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	75.550	-1.1	77.300	75.175	1,416	4,675
Mar	75.825	-0.775	77.100	75.200	213	1,001
May	77.150	-0.95	78.000	76.100	93	309
Jul	77.700	-0.4	77.500	76.500	11	84
Aug	77.000	-	77.000	76.500	3	23
Total					1,730	6,092

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	46	99	6	24
1500	3	44	62	67
1600	1	16	158	137
■ COPPER (Grade A) LME	**Oct**	**Jan**	**Oct**	**Jan**
1800	149	172	14	59
1900	80	116	44	102
2000	35	75	98	159
■ COFFEE LCE	**Nov**	**Jan**	**Nov**	**Jan**
1600	47	69	95	163
1650	32	55	130	199
1700	21	44	169	238
■ COCOA LCE	**Dec**	**Mar**	**Dec**	**Mar**
975	43	62	42	41
1000	33	49	57	53
1025	24	39	73	68
■ BRENT CRUDE IPE	**Oct**	**Nov**	**Oct**	**Nov**
2200	-	102	20	25
2250	25	-	-	29
2300	10	-	-	41

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.75-0.85	+0.680
Brent Blend (dated)	$22.65-2.67	+0.410
Brent Blend (Oct)	$22.82-2.84	+0.480
W.T.I.	$24.06-4.10x	+0.460

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$217-219	-3
Gas Oil	$216-217	
Heavy Fuel Oil	$111-113	+2
Naphtha	$203-206	+1.5
Jet fuel	$248-248	-0.5
Diesel	$229-230	+2.5

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	13.30-13.50	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

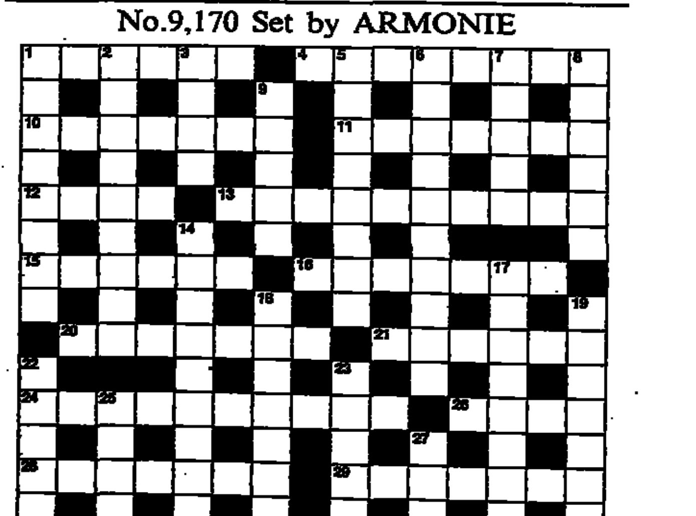
Gold (per troy oz)§	$383.45	-0.10
Silver (per troy oz)§	510.50c	+1.00
Platinum (per troy oz.)	$393.25	-1.00
Palladium (per troy oz.)	$124.00	-1.00
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.18r	+0.07
Tin (New York)	288.50	
Cattle (live weight)	98.39p	•
Sheep (live weight)	122.62p	-
Pigs (live weight)†	108.31p	•
Lon. day sugar (raw)	$308.60	-0.50
Lon. day sugar (wte)	$358.20	-0.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.75p	
Rubber (Nov)♥	88.75p	
Rubber (KL RSS No1)	328.00	
Coconut Oil (Phil)§	$720.0z	
Palm Oil (Malay.)§	$552.5z	+20.0
Copra (Phil)§	$487.5z	+12.5
Soyabeans (US)	227.0v	-3.0
Cotton Outlook'A' index	74.20	-0.50
Wooltops (64s Super)	426p	-2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. z Sep/Oct ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

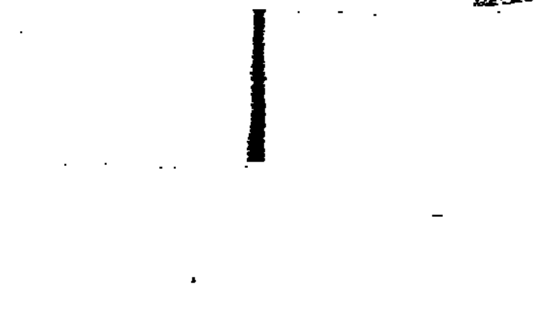
No.9,170 Set by ARMONIE



ACROSS
1 A couple of students join in naughty song (6)
4 A sprinkler's required after Penny gets border plant (8)
10 It's normal to profess maturity (7)
11 Al ruins broadcast, being narrow-minded (7)
12 A sweetheart costs a lot of money (4)
13 Ban old priests with convictions, initially for witchcraft (5,5)
15 Exclamation of surprise about wrong cricket bat (6)
16 Reject oily cheese cloth (7)
20 Get a card from model to broadcast about drug (3-4)
21 A drink is obtained for each gesture of agreement (6)
24 Famous train carrying one to a race meeting (5,5)
26 It is said to cure a contemptible person (4)
28 Fireplace made out of Ulster stone (7)
29 Belittle Germany and Spain with pamphlet (7)
30 It's difficult to mislead artist appearing in trial (8)
31 Seem to ask for a second opinion after changing sides (6)

DOWN
1 Approach creature with feathers (4,4)
2 Life is difficult. Let's rest and recuperate (3,6)
3 A pot is partially open (4)
5 Bounder acquired a fashionable firm making clothing (8)
6 Arachnophobe is to avoid superior fellows in the New York opera (4,6)
7 There's no standard in the POW camp (5)
8 Improve nicer sort of hospital (6)
9 The answer is to have money in bank (5)
14 Model serviceman is to destroy oil rig (3,7)
17 Nurse's a great sweetheart for youth (6,3)
18 Deny being worse, perhaps, in distant surroundings (8)
19 Grown-up is without artifice, initially, or is a sycophant (8)
22 Soldier is in overturned wagon. That's dreadful (6)
23 A hoo-ha about new work of art (5)
25 Long time getting the point (5)
27 Put an end to vessels capsizing (4)

Solution 9,169



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Fund Managers (CI) Ltd				
TSB Island Pension	731.2	769.8	+3.6	-
Island Equity Acc	129.3	136.1	+0.8	-
WMB Asset Management (Jersey) Ltd				
[illegible]	$1017.65	1017.69	-	-
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$257.61	258.91	-	5.81
[illegible]	$77.77	78.17	+0.47	-
[illegible]	£11.78	11.85	+0.03	4.91

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424049320

[illegible]

Fidelity Funds (u)

Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250 404 2230

	Selling Price	Buying Price	+ or -	Yield Gross
Major Market Funds				
America	$2.200		+0.015	-
Europe	DM4.748		+0.026	-
International	$16.09		+0.08	-
Japan	Y732.1		-0.3	-
Pacific	$8.736		+0.072	-
South East Asia	$2.760		+0.016	-

[illegible]

Mercury Asset Management S.A.

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Guernsey) Ltd

Alliance Capital

Allied Dunbar International Fund Mngrs (1600)F

Alpha Fund Management Ltd

Aravis Capital Advisors LLC

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½xd	—	£30½	£22½	1,393	3.5	Φ
Barlow	♣†	£255	—	218½	155	1,155	2.3	–
Gold Flds Prop R		137½	—	170	120	14.0	8.3	10.6
MK Props		80	—	90	75	3.22	11.4	–
SASOL	♥	645	—	710	475	3,777	1.7	–
SA Brews		£16½	—	£20½	£16¼	4,250	2.2	Φ
Standard Bank		£24¾	+¼	£32⅞	£21⅞	2,982	1.5	21.1
Tiger Oats	†	780	—	1270	770	1,180	2.1	18.2
Tongaat-Hulett		780xd	—	1247	736	747.6	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie falters after new intra-day record

By Steve Thompson, UK Stock Market Editor

The UK equity market, as expected, zipped to a new all-time intra-day high yesterday, but the party was spoiled by a sluggish opening on Wall Street.

The latter, the prime motivation behind the early upsurge in UK share prices, opened on an uncertain note yesterday and the Dow Jones Industrial Average showed a 20-point-plus fall shortly after London closed for the day.

But the FT-SE 100 index hung on grimly during a disappointing afternoon session and emerged with a modest but welcome 5.3 gain at 3,916.1, falling by only 2.6 to record a new closing high.

There was better news for the second liners, where the FT-SE Mid 250 pushed up 13.9 to 4,438.4. The Mid index is now 130.2 short of its all-time high, reached in April this year.

The FT-SE Small Cap index moved up 4.6, leaving it around 70 points off its June record level.

Dealers said there was widespread disappointment with London's performance during the latter part of the session but insisted there was a strong undertone to UK stocks throughout the day.

"It only needs Wall Street to deliver a reasonable performance and we'll see London push on from here," said one senior trader.

There remained a buzz of excitement around the City's trading desks about the possibility of more takeover activity in UK stocks, with some expecting another bid this morning.

There were no big gains in the insurance sectors, apart from Refuge and United Friendly, which made rapid progress amid hints that the bid terms will be sweetened. But there were persistent rumours that another bid was being lined up in the sector. London & Manchester, frequently seen as a potential takeover target in life assurances, and Guardian Royal Exchange, were being touted as strong bid candidates, while another story in the market was that an overseas predator was stalking Legal & General.

London began the day in good heart, with the FT-SE 100 up over 18 points at the outset and reaching a record intra-day high of 3,933.6 in mid-morning before slipping back as downside pressure developed in the futures market.

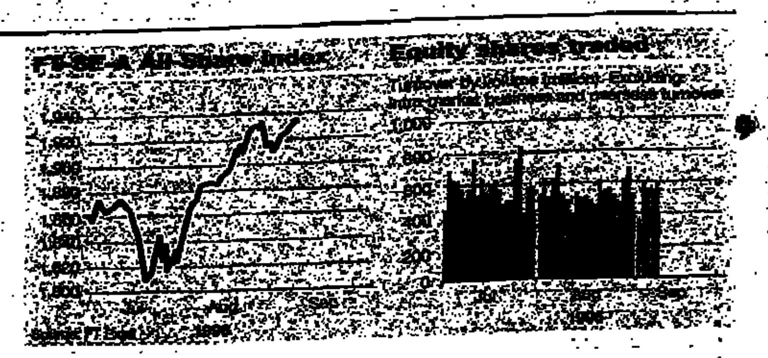
The early momentum came from the Dow's overnight surge which took it up to within 45 points of its all-time high, and from the good news on producer and output prices, announced on Monday.

Sentiment was also lifted by the bullish news on high street sales published by the British Retail Consortium.

Barclays jumped on talk of an imminent broker buy circular.

On the sell side, Thorn was unsettled by fears that the shares may be removed from the FT-SE 100 list at the next meeting of the Footsie steering committee.

Turnover at 6pm was 729.9m shares. Retail business on Monday was worth £1.56bn.



Indices and ratios

FT-SE 100	3916.1	+5.3	FT Ordinary Index	2831.2	+6.5
FT-SE Mid 250	4438.4	+13.9	FT-SE-A Non Fins p/e	17.79	17.75
FT-SE-A 350	1959.5	+3.4	FT-SE 100 Fut Sep	3920.0	+3.0
FT-SE-A All-Share	1936.02	+3.35	10 yr Gilt yield	7.87	7.87
FT-SE-A All-Share yield	3.81	3.82	Long gilt/equity yld ratio	2.15	2.15

Best performing sectors

1 Building Matls ..... +1.2
2 Chemicals ..... +1.2
3 Property ..... +1.0
4 Retailers, Food ..... +0.9
5 Banks: Retail ..... +0.7

Worst performing sectors

1 Alcoholic Beverages ..... -0.9
2 Gas Distribution ..... -0.6
3 Electricity ..... -0.6
4 Pharmaceuticals ..... -0.6
5 Extractive Inds ..... -0.4

Alcopop damages M Clark

By Lisa Wood, Peter John and Joel Kibazo

There were red faces – both from embarrassment and anger – among a number of analysts who had Matthew Clark on their "buy" lists.

Matthew Clark dipped 239 to 431p and was relegated to brokers' "sell" lists, with forecasts slashed after it announced at its annual meeting that full-year results would be adversely affected by a number of factors, including the growth of "Alcopop" drinks. The latter hit the sales in July and August of Clark's Diamond White, K and Babycham drinks.

One analyst said brokers had been led to believe by the industry that the cider market was steady and that "Alcopop" drinks were mainly hitting standard lagers. He said that Matthew Clark had now revealed that the new drinks were cutting deeply into the premium cider markets.

H P Bulmer, which has its agm this week, fell 28 to 552½p although analysts said that while it was being sucked into the battle it was not as exposed to the premium cider market as Matthew Clark. Kleinwort Benson said it was unfair that Bulmer had fallen so much, as many of the problems were specific to Matthew Clark.

Allied Domecq fell 7½ to 461p with Lehman Brothers labelling the stock a potential underperformer. Mr John Wakely, its drinks analyst, questioned why Allied's market capitalisation had risen by over £500m since the sale of its stake in Carlsberg-Tetley.

He believed the shares remained strong because of the yield, but if Allied wanted to fully support its businesses it probably needed to cut the dividend.

Among financial stocks, Barclays was a strong feature, the shares jumping 17½ to 925½p. Dealers suggested the advance was caused by a leading broker which was about to publish a sizeable bullish note on the stock.

One analyst also suggested buying may have come from investors returning to the stock with the proceeds from the group's recent share buy-back.

Fund management company M&G Group gained 15 to 1140p following the news that the independent board of bid target Kleinwort European Privatisation Investment Trust has advised investors that a combination of proposals from M&G and Kleinwort Benson Investment Management represent best value for shareholders.

Profit taking in National Westminster left the group's shares trailing 4 to 664½p after trade of 4.6m. The group yesterday announced the appointment of Mr Richard Delbridge as its new chief financial officer.

A two-way pull in GEC left the shares ¼ lighter at 381p following trade of 4.8m. NatWest Securities yesterday issued a detailed 61-page review on the company.

Analysts at the securities house concluded: "We expect the corporate development of the core defence, power and telecoms businesses to remain the focus rather than the pursuit of new earnings streams."

They added: "Short-term performance from current levels will be determined by the privatisation of Thompson-SA, but the benefits of Simpson's actions could highlight value to beyond 450p."

Monday's confirmation from P&O that it is merging its container operations with those of Dutch company Royal Nedlloyd Group continued to excite the market yesterday. Shares in the UK property and shipping group once again topped the list of the best Footsie performers after adding another 23 to 583½p. Volume, though down on Monday's level, was a chunky 7.4m.

Profit taking in international conglomerate Hanson saw the shares relinquish 4¼ to 157½p after trade of 11m. UBS yesterday issued Demerger Advance Participation Securities, (DAPS) a new derivative product which allows investors to acquire stock in those parts of Hanson that are to be demerged, ahead of October's demerger.

Last month Hanson set up low cost dealing facilities for small investors wishing to sell their stakes in Millennium Chemicals or Imperial Tobacco Group after they are demerged in October.

Williams Holdings which reported figures in line with market expectations eased a penny to 356p.

Growing optimism about the potential for recovery in Germany affected a number of stocks with German links. Redland rose 15 to 467½p and RMC strengthened 16 to 1154½p. BPB Industries, which last week opened a new plasterboard factory in Berlin, hardened 12¼ to 387½p while Blue Circle rose 5¼ to 398½p.

The pick-up in the UK housing market benefitted builders merchants. Bucking the trend was Graham Group, which fell 16 to 137p after first-half pre-tax profits fell well below market expectations. BZW downgraded its full-year forecast from £18m to £10m.

ICI rose 16¼ to 856½p as renewed interest in some cyclical issues met a shortage of stock in the market. ICI was also helped by recent news from second-line chemical stocks, such as British Vita, which said it would boost profit margins amid signs of improving demand in continental Europe. Vita shares added a further 4 at 239p.

The correction in Zeneca continued as investors took profits following last week's surge and SGST advised clients to "top-slice" holdings. The shares, which hit a peak last week on vague but persistent speculation that Glaxo Wellcome was poised to launch a takeover, retreated 26 to 1530p.

Claims by Scotia Holdings, the biotech company, that it had a cancer treatment to rival British Biotech's Marimastat were shrugged aside by the market which concentrated instead on the company's failure to achieve approval for its treatment for nerve degeneration in diabetics. The shares fell 42 to 691½p while British Biotech slipped 6¼ to 205p.

There was profit-taking in Kingfisher, which fell 15 to 665p, ahead of Thursday's results. Analysts also said marketmakers were seeking neutral positions before the figures, although they were expected to be good.

Strong growth in the high streets reported by the British Retail Consortium helped Storehouse, which increased 5¼ to 318p.

Worries about a court ruling in the US, coupled with the strong possibility that it will drop out of the FT-SE 100 index, were responsible for Thorn falling 14 to 369p.

Holmes & Marchant climbed 2 to 10p after it announced it had restructured its bank facilities and that current trading was in line with expectations.

FINANCIAL TIMES EQUITY INDICES

	Sep 10	Sep 9	Sep 6	Sep 5	Sep 4	Yr ago	*High	*Low
Ordinary Share	2831.2	2824.7	2811.2	2801.1	2795	2641.7	2885.2	2668.8
Ord. div. yield	4.02	4.03	4.05	4.06	4.05	4.22	3.76	
P/E ratio net	17.15	17.11	17.03	17.02	16.99	15.86	17.26	15.80
P/E ratio nil	16.89	16.95	16.87	16.86	16.83	15.75	17.08	15.71

Ordinary Share Index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2839.2	2837.8	2836.3	2840.2	2840.3	2839.0	2839.3	2830.5	2829.4	2843.5	2828.6

	Sep 10	Sep 9	Sep 6	Sep 5	Sep 4	Yr ago
SEAQ bargains	36,992	35,259	33,989	33,389	31,204	25,070
Equity turnover (£m)†	-	1361.4	1555.8	1490	1552.5	1348.5
Equity bargains†	-	37,240	35,054	39,339	32,846	36,492
Shares traded (mil)†	-	586.8	597.7	548.4	582.1	554.1

†Excluding intra-market business and overseas turnover.

	Sep 10	Sep 9	Sep 6	Sep 5	Sep 4	Yr ago	*High	*Low
FT-SE AIM	1049.20	1060.40	1065.70	1068.40	1067.40	-	1146.60	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	826	Total Highs	130	Total contracts	42,478
Total Falls	361	Total Lows	40	Calls	19,187
Same	1,476			Puts	23,291

Sep 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3933.0	3920.0	+1.0	3942.0	3913.0	18299	48126
Dec	3958.0	3945.0	+4.0	3963.5	3939.0	4929	15430
Mar		3965.0	+3.0			0	360

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep		4440.0	+15.0			0	1379
Dec		4475.0	+15.0			0	2511

■ FT-SE 100 INDEX OPTION (LIFFE) (*3915) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 4,455 Puts 5,881 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Asset Opps Ln 05/06	100					
-	F.P.	12.4	66	64½	†Barbican Hithns	64½					
-	F.P.	208.4	195	189½	Daily Chart Grp	189½	-2½	W0.1	2.1	6.0	7.8
-	F.P.	5.17	4	4	†Datamatar	4					26.5
§145	F.P.	50.7	245	149	†Geo Retail Sys	241					
§	F.P.	2.49	53	47	†Hyranaut	47					
-	F.P.	7.18	29	17	†Gabriel Trust	20	+1				
§95	F.P.	18.2	66	65	Hambros Sm Asn C	65					
§100	F.P.	24.4	98	94	Hoare Gvt 100S C	97½					
§12	F.P.	0.80	15	12	†Life Numbers	12					
§	F.P.	0.08	5	2	†Life Numbers Wts	5					
-	F.P.	0.44	8	7	†Pembroke Wts	7					
§-	F.P.	11.9	69½	69½	†Polydoc	69½					
§100	F.P.	39.6	95	90½	Schroder Em Cos	93¼	+¼				
-	F.P.	39.1	35	31	Schroder Em Wts	35					
-	F.P.	40.5	375	3	Schroder Em CI C	389½					
§95	F.P.	93	97	93	†Selector	95					
§	F.P.	-	89½	85	St James Place	87½					
-	F.P.	-	75	69½	Value Plain Tst	71					
§70	F.P.	6.34	72	70½	Walker, Crips	72½		3.0	2.2	5.3	10.9

† Alternative Investment Market. ¶ Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 9	% chg on day	Sep 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (35)	1982.30	-1.8	2038.11	2018.41	1.58	-	2820.77	1722.93
■ Regional Indices								
Africa (13)	2648.82	-0.6	2664.55	2604.82	3.04	37.18	3553.86	2272.74
Australasia (8)	2263.88	+0.4	2255.46	2381.23	2.48	21.84	2827.34	2123.50
North America (11)	1756.18	-2.9	1867.71	1739.89	0.75	64.90	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Sep 10	Day's chge%	Sep 9	Sep 6	Sep 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3916.1	+0.1	3910.8	3893.0	3887.2	3535.9	4.00	2.07	15.12	135.47	1622.66
FT-SE Mid 250	4438.4	+0.3	4424.5	4403.2	4406.7	3948.6	3.42	1.54	23.81	133.81	1799.53
FT-SE Mid 250 ex Inv Trusts	4478.2	+0.3	4464.2	4441.7	4446.1	3964.4	3.51	1.57	22.77	140.28	1819.11
FT-SE-A 350	1959.5	+0.2	1956.1	1947.1	1945.2	1764.0	3.87	1.97	16.41	65.94	1658.42
FT-SE-A 350 Higher Yield	1866.1	+0.2	1862.3	1854.9	1855.3	1745.8	5.19	1.87	12.87	84.86	1328.94
FT-SE-A 350 Lower Yield	2060.1	+0.1	2057.0	2046.4	2042.4	1787.5	2.69	2.13	21.80	47.51	1436.49
FT-SE SmallCap	2173.98	+0.2	2169.43	2167.77	2167.00	1985.72	3.04	1.61	25.49	49.14	1798.30
FT-SE SmallCap ex Inv Trusts	2172.74	+0.2	2168.94	2166.50	2164.08	1984.38	3.24	1.69	22.86	51.74	1809.28
FT-SE-A ALL-SHARE	1936.02	+0.2	1932.67	1924.38	1922.55	1744.51	3.81	1.95	16.86	63.51	1663.36

■ **FT-SE Actuaries All-Share**

	Sep 10	Day's chge%	Sep 9	Sep 6	Sep 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3712.48	+0.3	3701.65	3684.20	3686.60	2996.47	3.67	1.63	20.90	93.81	1606.12
12 Extractive Industries(6)	4212.94	-0.5	4233.02	4212.26	4252.29	4174.71	3.85	2.50	13.01	109.19	1239.73
15 Oil, Integrated(3)	3806.62	+0.4	3791.32	3776.36	3773.99	2982.80	3.84	1.48	21.98	100.98	1690.95
16 Oil Exploration & Prod(15)	2764.60	+0.4	2752.71	2719.45	2714.78	2042.68	1.90	1.55	42.40	34.94	1665.07
20 GEN INDUSTRIALS(274)	2078.53	+0.4	2070.32	2057.73	2056.56	1998.03	4.17	1.78	16.84	61.76	1149.83
21 Building & Construction(34)	1176.76	+0.4	1172.58	1163.61	1162.89	943.95	3.53	1.65	21.55	24.97	990.61
22 Building Matls & Merchs(28)	1956.95	+1.2	1932.96	1928.54	1928.34	1756.50	3.93	1.68	18.94	51.86	997.92
23 Chemicals(25)	2490.92	+1.2	2462.32	2432.55	2436.93	2503.25	4.06	1.59	19.34	79.28	1197.44
24 Diversified Industrials(18)	1575.66	-0.4	1582.06	1569.81	1557.86	1828.13	6.64	1.64	11.50	72.73	898.95
25 Electronic & Elect Equip(36)	2389.46	+0.5	2378.28	2356.99	2367.32	2142.79	3.27	1.49	25.66	57.55	1256.65
26 Engineering(71)	2556.09	+0.2	2551.33	2542.85	2536.02	2153.67	3.16	2.45	16.16	67.54	1566.70
27 Engineering, Vehicles(14)	3110.12	+0.3	3101.42	3095.42	3105.26	2675.41	3.46	1.70	21.17	95.87	1637.95
28 Paper, Pckg & Printing(26)	2710.01	+0.4	2698.37	2680.86	2684.27	2935.78	3.82	1.82	18.00	66.67	1139.51
29 Textiles & Apparel(19)	1249.98	+0.2	1247.47	1243.20	1246.33	1621.35	5.66	1.44	15.33	44.14	772.82
30 CONSUMER GOODS(91)	3686.70	-0.4	3700.04	3701.83	3696.63	3364.18	3.83	1.95	16.71	115.81	1382.59
32 Alcoholic Beverages(6)	2868.41	-0.9	2894.83	2906.55	2867.35	2915.97	4.40	1.62	17.55	91.68	1048.78
33 Food Producers(24)	2584.54	+0.4	2574.41	2563.15	2556.33	2514.10	4.05	1.90	16.20	70.59	1178.96
34 Household Goods(15)	2683.27	-0.1	2686.20	2681.84	2689.86	2650.66	3.79	2.25	14.66	60.32	1031.23
36 Health Care(20)	2055.03	+0.3	2049.87	2044.22	2038.17	1948.86	2.67	2.19	21.36	37.40	1256.88
37 Pharmaceuticals(13)	5558.58	-0.6	5590.49	5599.67	5614.42	4404.95	3.04	2.06	19.96	151.62	1913.74
38 Tobacco(1)	3689.07	-0.2	3697.54	3701.78	3706.01	4392.15	7.10	2.06	8.56	262.07	950.00
40 SERVICES(252)	2593.46	+0.1	2589.72	2577.57	2567.88	2213.11	2.84	1.94	22.73	63.75	1364.02
41 Distributors(31)	2885.87	+0.4	2875.35	2865.94	2876.90	2783.90	3.04	1.75	23.48	58.94	1073.19
42 Leisure & Hotels(24)	3217.98	+0.2	3212.29	3212.21	3219.35	2503.53	2.73	2.02	22.69	156.18	1740.80
43 Media(45)	4380.96	-0.1	4386.03	4371.26	4360.12	3348.55	2.07	2.01	29.96	84.94	1600.98
44 Retailers, Food(14)	2013.24	+0.9	1995.88	1979.90	1949.32	2205.96	3.81	2.36	13.92	55.67	1296.42
45 Retailers, General(44)	2176.07	-0.1	2178.35	2173.20	2156.14	1818.26	2.94	2.04	20.85	52.63	1258.61
47 Breweries, Pubs & Rest.(23)	3122.70	-0.2	3129.92	3131.96	3141.48	2818.97	3.26	1.98	19.32	67.36	1513.74
48 Support Services(49)	2506.83	+0.2	2502.28	2488.75	2481.04	1859.38	1.92	2.31	28.28	36.69	1602.91
49 Transport(22)	2474.89	+0.8	2454.64	2408.26	2408.76	2315.45	3.82	1.07	30.60	67.35	1045.39
60 UTILITIES(32)	2318.18	-0.1	2320.95	2317.01	2323.38	2598.09	5.54	1.88	11.99	158.45	1032.18
62 Electricity(11)	2358.66	-0.6	2372.42	2372.64	2381.28	2818.56	6.88	2.40	7.57	429.17	1277.20
64 Gas Distribution(2)	1352.97	-0.6	1361.06	1361.06	1361.06	1761.44	8.86	1.34	10.55	86.67	709.64
66 Telecommunications(8)	1974.98	+0.2	1970.06	1964.02	1970.48	2191.33	4.08	1.53	20.00	50.32	917.34
68 Water(11)	2237.25	-0.3	2244.57	2242.33	2245.39	2094.67	6.15	2.31	8.78	94.85	1265.32
69 NON-FINANCIALS(663)	2042.91	+0.1	2041.28	2034.08	2031.40	1872.70	3.79	1.85	17.79	67.03	1575.12
70 FINANCIALS(104)	3131.56	+0.6	3113.84	3088.27	3088.22	2578.21	4.21	2.41	12.32	112.06	1373.90
71 Banks, Retail(8)	4462.64	+0.7	4432.08	4380.56	4373.04	3560.96	4.06	2.71	11.36	174.00	1491.25
72 Banks, Merchant(6)	3737.23	-0.1	3742.79	3767.18	3881.12	3665.66	2.75	2.80	16.19	63.39	1192.70
73 Insurance(22)	1466.87	-0.1	1467.71	1467.29	1476.29	1345.04	5.71	2.30	9.50	60.05	1121.22
74 Life Assurance(7)	3536.35	+0.6	3515.99	3494.23	3489.59	2753.35	4.21	2.21	13.41	103.40	1483.82
77 Other Financial(20)	2855.61	+0.1	2852.49	2859.49	2847.28	2256.97	4.04	1.75	17.68	83.32	1537.19
79 Property(41)	1666.12	+1.0	1649.69	1635.06	1637.31	1460.38	3.84	1.26	25.88	42.76	1039.24
80 INVESTMENT TRUSTS(127)	3168.71	+0.3	3158.41	3151.71	3158.82	2981.70	2.25	1.11	50.24	54.09	1114.82
89 FT-SE-A ALL-SHARE(894)	1936.02	+0.2	1932.67	1924.38	1922.55	1744.51	3.81	1.95	16.86	63.51	1663.36
FT-SE-A Fledgling	1245.71	+0.1	1244.01	1241.80	1241.19	1075.99	2.77	2.31	19.52	24.80	1313.64
FT-SE-A Fledgling ex Inv Trusts	1261.39	+0.1	1260.06	1257.51	1256.55	1070.31	2.96	2.47	17.04	27.02	1331.42

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3929.4	3927.7	3928.7	3931.8	3927.5	3926.1	3926.0	3916.7	3915.7	3933.6	3914.1
FT-SE Mid 250	4438.8	4439.0	4441.4	4444.9	4443.0	4442.5	4442.1	4440.9	4439.0	4445.0	4438.0
FT-SE-A 350	1964.7	1964.1	1964.0	1966.3	1964.4	1963.8	1963.8	1960.0	1959.4	1967.0	1958.7

Time of FT-SE 100 Day's high: 11:15 AM Day's low: 3:52 PM. FT-SE 100 1996 High: 3918.7 (28/08/96) Low: 3632.3 (18/07/96).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1163.5	1165.0	1165.4	1165.8	1165.8	1165.7	1166.3	1165.2	1165.2	1165.2	1161.6	+3.6
Pharmaceuticals	5544.1	5530.0	5516.1	5520.9	5502.0	5492.8	5493.2	5484.3	5485.2	5487.3	5519.2	-31.9
Water	2241.8	2230.8	2229.9	2229.7	2228.4	2226.8	2228.8	2228.5	2225.3	2224.5	2231.9	-7.4
Banks, Retail	4512.7	4506.6	4525.4	4530.8	4520.4	4518.5	4518.2	4506.5	4519.8	4519.6	4488.6	+31.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	1,200	467½	-1½
ASDA Group†	4,300	109	-1
Abbey National†	2,700	593½	+3
Albert Fisher	1,200	41½	
Allied Domecq†	3,700	461	-7½
Anglian Water	352	574	-3
Argos†	537	788	+5½
Arjo Wiggins	1,100	182	-1
Assoc. Brit. Foods†	507	408½	-3
Assoc. Brit. Ports	274	305	+4½
BAA†	3,500	483	+5½
BAT Inds.†	7,400	435½	-1
BBA	855	349	+1½
BICC	734	329½	-1
BOC†	1,300	854	+4
BP†	4,900	657	+3½
BPB Inds.	563	387½	+12½
BSkyB†	1,800	579½	-7
BT†	4,900	370	+2
BTR†	5,800	268	+1
Bank of Scotland†	4,100	253½	+5½
Barclays†	2,500	928½	+17½
Bass†	1,800	793½	-2
Blue Circle†	1,800	398½	+5½
Booker	258	377½	-2
Boots†	953	642½	+1
Britannia	1,600	709	
Brit. Aerospace†	586	1022½	
British Airways†	2,700	517½	-3
British Biotech	1,100	205	-6½
British Energy	10,400	102½	+3
British Gas†	3,900	202	-1
British Land	4,400	470	+5
British Steel†	5,600	192	-2
Bunzl	526	237	+1
Burmah Castrol†	1,300	1108	+9½
Burton†	2,100	168	+1½
Cable & Wire†	5,300	433	+8
Cadbury Schweppes†	2,000	515½	+3
Caradon	1,200	223½	
Carlton Comms.†	1,300	469	-7½
Chubb	640	336	+8
Coats Viyella	1,400	161½	
Comm. Union†	1,700	601	+3½
Compass	349	575	-2½
Cookson	3,800	270	+5½
Courtaulds†	2,600	446	+5½
Dalgety	110	325	+2½
De La Rue	331	623½	+1
Dixons†	1,800	564	
East Midland Elect.	394	592½	-2
Electrocomps	184	391½	+1
EMI†	1,900	1386½	+5½
Eng China Clays	787	237½	-2½
Enterprise Oil†	229	517	+3½
FKI	3,100	198	+6
Foreign & Col. I.T.	662	157½	+1½
Gen. Accident†	894	643½	+2½
General Elect.†	4,800	381	-¼
Glaxo Wellcome†	3,800	948	+9
Glynwed	641	352	-2
Granada†	1,300	871½	-5
Grand Met.†	8,200	461	-2
GUS†	682	641	-2
Greenalls	492	580	-4½
GRE†	1,100	265	
GKN†	488	1055	+5
Guinness†	1,800	470	-4
HSBC (75p shs)†	1,100	1150	+5½
Hammerson	126	380	+8
Hanson†	11,800	157½	-4½
Harrisons Crosfield	5,500	137½	+2½
Hays	489	471½	+3
Hillsdown	873	186½	+1
Hyder	67	724	-2
IMI	693	394	+4½
ICI†	2,200	856½	+16½
Inchcape	1,100	285½	-3
Johnson Matthey	111	579½	+3½
Kingfisher†	2,400	665	-15
Kwik Save	61	375	-1½
Ladbroke†	5,400	207	
Land Securities†	1,700	704½	+6
Laporte	800	755	+4
Legal & General†	534	732	-3½
Lloyds Abbey	1,700	579	+7
Lloyds TSB†	4,800	377	+5½
LASMO†	8,000	215	+1½
London Elect	310	610½	+3
Lonrho	2,100	182	+1
LucasVarity	13,000	236	
MEPC	1,500	435½	+6
MFI	10,100	202½	+3½
Marks & Spencer†	2,600	508½	+1½
Mercury Asset Man	618	1009	+6
Morrison (Wm.)	438	168½	+1
NFC	1,800	190	
NatWest Bank†	4,600	664½	-4
National Grid†	1,800	173½	-2
National Power†	4,800	380	-3½
Next†	1,800	590	
Northern Elect.	251	525	-2
Northern Foods	173	189	
Orange†	3,200	195	+2
Pearson†	636	688½	+2
P & O†	7,000	582½	+22
Pilkington†	2,200	187½	+2
PowerGen†	1,800	487	-3½
Premier Farnell	85	674½	-4
Provident Financial	662	493½	+2
Prudential†	3,800	440	+3½
REXAM	4,200	400½	+2½
RMC†	737	1154½	+16
RTZ†	1,800	957½	-8
Racal	140	259½	
Railtrack†	13,000	277	-8½
Rank Org.†	2,700	454½	-2½
Reckitt & Colman†	1,600	706	-1
Redland†	3,200	467½	+15
Reed Intl.†	645	1175	-15
Rentokil†	4,700	413	-1
Reuters†	4,400	750	-6
Rolls Royce†	5,600	234	-3
Royal & Sun Alliance†	4,500	390½	-2
Royal Bk Scotland†	2,200	491½	+9½
Safeway†	4,500	336	+4
Sainsbury†	2,100	381	+2½
Schroders†	48	1380	-8
Scottish & New.†	805	673½	-4½
Scot. Hydro-Elect.	602	294	-3
Scottish Power†	2,200	306	-3
Sears	11,200	82½	-1½
Sedgwick	481	125½	+1½
Severn Trent†	467	611½	-6
Shell Transport†	2,600	942	+4
Siebe†	1,500	880	+9
Slough Ests	1,400	251	+3
Smith (W.H.)	2,800	504	+1
Smith & Nephew†	6,600	202½	+1
SmKl Beecham†	3,400	751½	-2
Smiths Inds.†	1,100	763½	-3
Southern Elect†	1,300	674½	-8
South West Water	51	717½	-3
Southern Water	5	1062½	+5
Standard Chartd.†	1,700	710½	-5½
Storehouse	3,000	318	+5¼
T&N	7,600	140½	-2
TI Group†	561	551	-2
Tarmac	4,700	99	-1
Tate & Lyle†	398	478	+5½
Taylor Woodrow	517	172	+1
TeleWest Comms	485	138	+3
Tesco†	3,000	311	-4
Thames Water†	591	548½	-3
Thorn†	8,500	369	-14
Tomkins†	4,100	269	+1
Unigate	76	431	-1½
Unilever†	1,100	1349½	-3½
United Biscuits	1,200	226½	+2
Utd. News & Media†	858	708½	-3½
United Utilities†	1,400	598½	-6
Vodafone†	4,900	238½	+1
WPP	359	238½	-1½
Wessex Water	358	351½	+1
Whitbread†	510	709½	-2
Williams Hldgs.†	6,400	356	-1
Willis Corroon	91	131	-1
Wimpey	184	133½	+½
Wolseley†	3,200	445	+3
Yorkshire Elect	419	739	-8
Yorkshire Water	937	680½	-3
Zeneca†	1,000	1530	-26

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Trading period	Period ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]			

Prices are determined by every half-hour in each settlement day. [illegible]

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 10 / Sch)

BELGIUM/LUXEMBOURG (Sep 10 / Frs.)

CZECH REP (Sep 10 / Koruna)

DENMARK (Sep 10 / Kr)

FINLAND (Sep 10 / Mka)

FRANCE (Sep 10 / Frs.)

GERMANY (Sep 10 / Dm.)

GREECE (Sep 10 / Drachma)

ITALY (Sep 10 / Lira)

NETHERLANDS (Sep 10 / Fls.)

NORWAY (Sep 10 / Kroner)

POLAND (Sep 10 / Zloty)

PORTUGAL (Sep 10 / Escudo)

SPAIN (Sep 10 / Pts.)

SWEDEN (Sep 10 / Kronor)

SWITZERLAND (Sep 10 / Frs.)

TURKEY (Sep 10 / Tk Lira)

PACIFIC

JAPAN (Sep 10 / Yen)

AUSTRALIA (Sep 10 / Aust$)

HONG KONG (Sep 10 / H.K.$)

INDONESIA (Sep 10 / Rupiah)

MALAYSIA (Sep 10 / MYR)

NEW ZEALAND (Sep 10 / NZ $)

SINGAPORE (Sep 10 / S$)

SOUTH KOREA (Sep 10 / Won)

TAIWAN (Sep 10 / TW $)

THAILAND (Sep 10 / Baht)

AFRICA

SOUTH AFRICA (Sep 10 / Rand)

NORTH AMERICA

CANADA

TORONTO (Sep 10 / Can $) 4 pm close

MONTREAL (Sep 10 / Can $) 4 pm close

INDICES

	Sep 10	Sep 9	Sep 6	1996 High		1996 Low	
Hong Kong Hang Seng(31/7/64)	11223.62	11212.80	11025.58	[illegible]	[illegible]	[illegible]	
India BSE Sens.(1979)	3434.83	3468.29	3508.07	4089.28	18/6	2826.06	25/1
Indonesia Jakarta Comp.(10/8/82)	545.10	542.51	543.75	638.21	24/4	512.48	2/1
Ireland ISEQ Overall(4/1/88)	2580.47	2555.71†	2548.19	2595.19	18/6	2234.89	2/1
Italy Banca Comm. Ital.(1972)	585.73	583.08	585.78	674.10	20/5	572.21	27/8
MIB General(2/1/95)	1009.0	1005.0	992.0	1142.00	20/5	970.80	27/8
Japan Nikkei 225(16/5/49)	20582.50	20202.27	20152.53	22666.80	26/6	19734.79	13/8
Nikkei 300(1/10/82)	290.58	287.25	287.85	319.70	26/6	284.45	11/3
Taiwan Weighted Pr.**(30/6/66)	6415.76	6455.43	6280.23	6680.41	29/6	4690.22	6/2
Thailand Bangkok SET(30/4/75)	982.08	988.32	1007.51	1415.04	6/2	982.83	10/6
Turkey Istanbul Comp.(Jan 1986)	83542.4	82904.8	83438.8	78591.30	8/7	38578.30	2/1
WORLD MS Capital Intl(1/1/70)	764.0*	764.2	758.8	789.20	1/7	725.98	15/1
CROSS-BORDER Eurotrack 100(26/10/90)	1666.48	1654.67	1638.30	1709.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1429.06	1424.19	1413.69	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	370.81	367.92	383.16	18/4	344.18	2/1
ING Brngs Emrg(7/1/92)	158.95	158.72	157.64	165.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Sep	2034.0	2047.0	+30.5	2052.0	2030.0	16,552	26,514
Oct	2039.0	2052.0	+30.5	2053.0	2038.0	371	5,225
■ DAX							
Sep	2566.5	2573.0	+20.0	2575.0	2562.5	18,670	–
Dec	2583.0	2590.5	+20.0	2592.5	2579.5	2,941	–

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Sep	1580.00	1582.00	–1.00	1593.00	1578.00	4,568	22,432
Oct	1584.00	1592.00	–1.25	1598.25	1590.50	975	1,637
■ SOFFEX							
Sep	3710.0	3699.0	+6.0	3718.5	3696.0	5,346	26,283
Oct	3723.0	3704.0	+46.8	3735.0	3715.0	179	754

** Sat Sep 7: Taiwan Weighted Price 6371.07; Korea Comp Ex 808.5. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SMI30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 10 - 2569.77 +19.06

US INDICES

Dow Jones	Sep 9	Sep 6	Sep 5	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5733.84	5659.86	5606.96	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.41	101.39	101.32	106.08 (14/2)	100.59 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2031.06	2019.36	1995.41	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	215.27	213.81	212.83	234.08 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 5756.40 (5696.48) Low 5662.06 (5585.51) (Theoretical♦)
Day's high 5735.89 (5881.31) Low 5660.23 (5605.85) (Actual♦)

Standard and Poors	Sep 9	Sep 6	Sep 5	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	663.76	655.68	649.44	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	784.77	775.47	768.26	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.52 (30/6/32)
Financial	69.51	68.42	67.53	70.69 (22/8)	58.67 (19/1)	70.69 (22/8/96)	7.13 (4/8/74)
NYSE Comp.	358.28	352.67	349.64	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.64 (25/4/42)
Amex Mkt Val	561.96	560.02	556.71	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Comp	1148.71	1138.38	1125.66	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 6	Aug 30	Aug 23	Year ago
Dow Jones Ind. Div. Yield	2.24	2.25	2.21	2.44
	Sep 4	Aug 28	Aug 21	Year ago
S & P Ind. Div. yield	2.06	2.02	2.02	2.07
S & P Ind. P/E ratio	21.50	21.77	21.74	18.69

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
PepsiCo	7,858,600	28⅝	+¼
H Packard	4,288,200	44	+⅞
Office Dpt	3,516,900	20⅜	–⅛
AT&T	3,434,200	53⅝	+⅜
Motorola	2,794,700	51	–½
IBM	2,565,400	117⅜	+2⅜
Cmptr Assoc	2,536,500	55⅝	+2⅜
US West Com	2,315,700	28⅝	+⅜
Lucent	2,217,400	39	+1⅞
Healthsth	1,981,800	35⅞	+⅞

■ TRADING ACTIVITY

● Volume (million)	Sep 9	Sep 6	Sep 5
New York SE	318.886	350.875	355.468
Amex	15.207	16.958	19.728
NASDAQ	448.693	482.885	471.258
NYSE			
Issues Traded	3,203	3,182	3,165
Rises	1,540	1,651	752
Falls	860	696	1,597
Unchanged	803	835	752
New Highs	105	59	48
New Lows	17	27	26

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	664.90	663.05	–2.00	665.20	661.60	82,308	147,087
Dec	670.60	669.00	–2.05	671.15	667.60	13,827	59,455

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Sep	20400.0	20580.0	+350.0	20590.0	20320.0	21,959	172,140
Dec	20410.0	20570.0	+340.0	20610.0	20330.0	31,977	172,421

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, September 10, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	6.4m	283	
Sumitomo Seika	5.7m	777	+32
Clarion	5.1m	621	+32
Joyo Bank	3.2m	805	-2
Nippon Steel Cp	3.1m	348	+4
TYK Corp	2.9m	1640	+40
Mitsubishi Hvy	2.8m	873	+7
Bk Tk-M'bishi	2.7m	2160	+10
Keisei Elect Ry	2.7m	1050	+20
Anritsu Elect	2.6m	1570	+40

4 pm close September 10

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR	0.48	2.2	21	253	21⅞	21½	21¾	-⅛
46⅛	36⅛	AMP	1.00	2.6	18	3632	39⅛	38½	38½	-⅛
97½	63	AMR			16	7102	80¾	79¼	79¾	+¾
50½	37⅛	ASA	2.00	5.0	35	146	39¾	39½	39⅝	
47⅞	38⅛	AbbtL	0.96	2.0	20	5947	47⅛	46⅝	47	
17¼	12¼	Abitibi Pr x	0.40	3.0	6	177	13½	13½	13½	
20¼	13½	ABM Ind	0.35	2.0	17	37	17⅛	16⅞	17⅛	+½
18⅝	13⅞	Acptncoln			38	25	18	17⅝	17⅝	-⅜
50⅛	37¼	ACE Ltd	0.58	1.2	11	760	47¼	46⅞	47⅛	-⅛
10⅛	9⅛	ACM Gvt In x	0.90	9.1	8	96	9⅞	9¾	9⅞	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	8.4		189	6⅞	6¾	6¾	-⅛
9⅞	8⅝	ACM Man x	0.90	9.6		240	9½	9⅜	9⅜	
13⅞	6⅛	Acme Elecr	0.32	4.6	116	107	7⅛	7	7	
17½	13⅞	Acme Mtc			9	44	14¾	14⅝	14¾	
33¼	27¾	Acordia x	0.72	2.4	17	30	30½	30⅜	30⅛	-¼
21⅛	12	Acuson			85	6215	17	15⅜	17	+1⅝
10½	17⅞	Adams Expr	0.48	2.5	9	199	19⅛	19	19⅛	+⅛
21¼	10¼	AdvMic			8	4218	12⅞	12⅝	12⅞	
[illegible]										

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
41⅛	32	Beckman In	0.52	1.4	19	183	38⅛	37½	37⅝	-⅜
44½	35½	BectnD x	0.46	1.1	20	3144	43¾	43⅛	43⅛	
15⅞	12⅞	BdfrdProp	0.48	3.4	19	183	14¼	13⅞	14⅛	+⅛
74⅞	55⅛	BellAtl	2.88	5.1	12	6251	56¼	55⅞	56¼	-½
22¼	15⅞	Bell In	0.40	2.5	7	75	16¼	16	16⅛	-⅛
45¾	35¼	BellSth	1.44	3.9	17	8879	37¼	36⅝	37¼	+⅜
41½	31	Belo A	0.44	1.1	22	988	u41½	40⅞	41¼	+½
36¼	25⅝	Bemis	0.72	2.2	18	3110	33⅜	32½	33¼	+¾
67	59	Benef 4.3P x	4.30	7.2		2	60	60	60	
61¼	43⅝	Benef x	2.08	3.7	12	610	56¾	56⅛	56½	+⅛
27¼	20¾	Benetton A	0.37	1.6	14	34	23⅛	22¾	23⅛	+⅝
⅞	½	Benguet B	0.04	7.1	28	58	⁹⁄₁₆	½	⁹⁄₁₆	
29⅞	24⅛	BergBr	0.48	1.6	16	973	u29⅞	29½	29⅞	+⅜
38000	29800	BerkHA			75	z80	32000	31700	31700	-400
1220	990	BerkHB				10	1073	1055	1060	-8
12½	6¾	Berry Petr	0.40	3.4	16	272	11⅝	11½	11⅝	+⅛
26¼	12	Best Buy			22	2462	22¼	21⅛	22	+⅞
28⅛	25⅛	Beth St 2	2.50	9.1		32	27½	27¼	27½	+⅛
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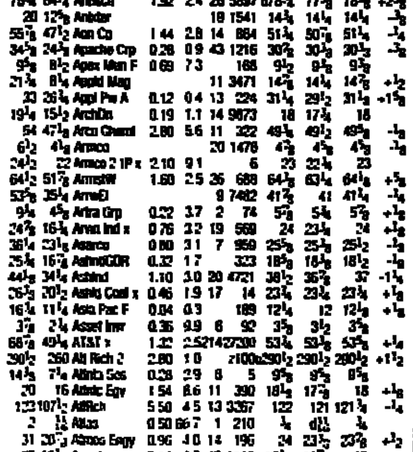

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4 pm close September 10

NYSE PRICES

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX PRICES

4 pm close September 10

NASDAQ NATIONAL MARKET

4 pm close September 10

- A -

- B -

- C -

- D -

- E -

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- G -

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- X - Y - Z -

* FINANCIAL TIMES Wednesday September 11 1996

AMERICA

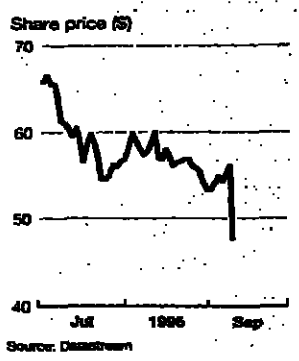
Weak bonds take shine off Dow

Wall Street

Interest rate worries and a falling bond market caused the US equity market, at midsession, to give up some of the strong gains made over the past several days, *writes Lisa Bransten in New York.*

Blue chip shares in the Dow Jones Industrial Average came within 36 points of passing their all time high of 5,778.00 but at late morning the index began to fall as bonds declined.

ITT



Source: Datastream

By 1 pm the Dow was off 16.65 at 5,717.19 and the Standard & Poor's 500 lost 1.32 at 662.44, while the American Stock Exchange composite rose 2.31 at 564.27. The technology-rich Nasdaq composite was 0.72 weaker at 1,147.99. Volume on the New York Stock Exchange came to 223m shares.

Bonds began to fall after Ms Janet Yellen, a member of the Federal Reserve's board of governors, told the Reuter news agency that the US economy had entered an "inflationary danger zone". That led to worries that the Fed would act aggressively to raise interest rates. Both stocks and bonds rallied in recent sessions after economic data suggested to many that the Fed might hold steady or raise rates a relatively modest 25 basis points.

In individual shares, several companies fell after announcing a poor outlook for profits. ITT tumbled $7¾ or 14 per cent to $48¼ after warning late on Monday that its third quarter results would be well below analysts' expectations. The company attributed softening results to weakness in its gaming business.

Ford Motor, meanwhile, told analysts that its third quarter earnings would not meet their estimates because of poor performance in the Brazilian operations, but said that fourth quarter earnings would be close to outside targets. Shares in the car manufacturer fell $⅛ at $31⅛.

Iomega, the maker of high density computer disk drives, halted the recent skid in its share price after announcing it had signed an agreement that would allow Matsushita of Japan to manufacture and sell Iomega's Zip drives. Iomega shares, which had fallen from a high of $54 in May to 13\frac{1}{16}$ by the close on Monday, added 1\frac{1}{16}$ at $14⅝.

Shares in Heinz slipped $¼ at $31½ after the food and consumer products group reported earnings in line with analysts' expectations.

Canada

Toronto shares reversed early losses to leave the TSE 300 composite index with an improvement of 1.28 to 5,149.83 at mid-day. Wall Street's failure in early trading to follow up on strong overnight gains was said to have held activity in check.

Mining and energy stocks were flat but there were solid gains among non-resource blue chips. Seagram added ten cents to C$46.75 and Northern Telecom put on 35 cents to C$89.35. Royal Bank of Canada rose 15 cents to C$34.70.

Mexico retreats

The region showed a tendency to drift. MEXICO CITY opened higher, but after the US stock and bond markets lost early gains the IPC index was running 15.80 or 0.5 per cent lower at 3,325.39 in midsession.

Bear Stearns initiated coverage of the construction group, Corporacion Geo, with an attractive rating, saying that Mexico's largest low-income homebuilder was well positioned because of its technologically advanced home design, focus on market, and sold capital structure. Geo rose 70 centavos to 37.80 pesos.

SAO PAULO was looking for profit taking but the Bovespa index was 72 higher at 63,899 in midsession.

Traders said the market was waiting for Congress to vote on the ICMS tax exemption for exports; companies expected to benefit included the mining house, Vale do Rio Doce, and the steel groups, Cosipa and CSN.

US inflation figures, due out tomorrow, were also expected to influence the bourse.

S Africa lower all round

Shares in Johannesburg finished lower with setbacks in both the industrial and gold sectors. The overall index ended with a loss of 28.3 at 6,788.8. Industrials sank 12.8 to 8,010.4 and golds fell 43.5 to 1,724.7.

Dealers said there was clear downside pressure from equity futures, while gold shares were hit by continued worries over the future course of the bullion price. Anglo American shed R4 to R276 and Randgold retreated R1.50 to R34.50.

The expiry of the September equity futures contract next Monday led to a scramble among futures traders to close positions.

EUROPE

Takeover fever sweeps through Paris bourse

Bid fever swept through PARIS, sending the market strongly ahead for the sixth day running and launching a number of violent share price movements. The CAC-40 gained 21.82 to 2,042.12.

Possible takeover action involving CGIP, the big holding company, was the main talking point. Press reports of a bid from CGIP for Valeo, the car parts group, created hectic activity in the shares.

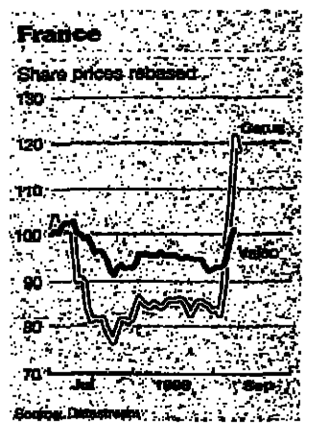
Valeo hit its upside limit in the morning and then swung back the other way following a bid denial from CGIP. Volume came close to 850,000 shares whereas 100,000 would be closer to the daily norm. The stock ended FFr9.10 ahead at FFr279.60.

Cerus, the De Benedetti holding company which has a 28 per cent stake in Valeo, was again active, closing FFr2.80 lower at FFr133.00. CGIP rose FFr34 to FFr1,189.

Elf Aquitaine was heavily traded in volume of 1.7m shares as talk of an imminent placing of the government's stake in the oil major resurfaced. The stock added FFr4.50 at FFr393.

SGS Thomson rose FFr11.50 to FFr226 after news that the company had developed the technology needed to protect video digital systems from piracy.

France



Source: Datastream

Canal Plus ran into profit-taking after the recent strong run for the shares on the back of the European merger with Nethold. The stock fell FFr54 to FFr1,120 in spite of a buy recommendation from Credit Suisse.

FRANKFURT's celebration of a higher dollar was marred by rumours about Deutsche Bank and a downgrade for Siemens, weighted into the Dax at a joint 14.3 per cent, and the key index trailed Paris with a rise of 19.06 to 2,568.77.

The dollar's rise over DM1.50 lifted chemicals and other front-line cyclicals: Bayer rose DM1.22 to DM54.22; Continental, the tyremaker, put on 63 pfg to DM25.63 as it settled its patent suit with Goodyear; and Preussag, the recently downgraded steel and engineering conglomerate, recovered DM9 more, to DM360.50.

It also boosted turnover, which leapt from DM5bn to DM8.3bn. Ms Heidemarie Höppner at B Metzel in Frankfurt said that, over the past two days, clients had become more receptive to ideas and had, indeed, begun to place orders.

However, the most active stocks were Deutsche Bank, down 38pfg at DM71.65, and Siemens, off DM1.20 at DM77.10.

One of yesterday's stories was that the Deutsche Morgan Grenfell fund management scandal was beginning to threaten the parent bank's triple A rating. Goldman Sachs downgraded Siemens. Ms Höppner said that Metzler had done so the day before but that Dresdner Bank, on Monday, had made Siemens a "buy".

MILAN made steady progress in spite of another downside lurch for Olivetti. Turnover picked up, suggesting to some observers that foreign funds were moving back into the market.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Sep 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1667.00	1667.33	1668.26	1668.03	1668.51	1667.72	1666.79	1666.48
FT-SE Eurotrack 200	1738.41	1738.93	1739.71	1738.74	1739.28	1739.44	1737.75	1737.66

	Sep 9	Sep 6	Sep 5	Sep 4	Sep 3
FT-SE Eurotrack 100	1654.57	1638.30	1636.85	1637.93	1630.69
FT-SE Eurotrack 200	1728.12	1713.30	1713.74	1710.94	1703.67

Base value 1000 (26/10/90). High/day: 100 - 1668.61; 200 - 1740.40 Low/day: 100 - 1665.96 200 - 1736.72 † Partial.

The Comit index ended 2.64 better at 595.73. Olivetti had another torrid day. Off nearly 20 per cent on Monday following a resumption of trading, the shares ended down L35.5 at L567.8.

The company, which unveiled shock first-half losses last week and was suspended from the bourse on Wednesday, announced that it planned to provide a statement about its first-half performance next Monday.

Fiat came off L99 to L4,455 after its August car registrations showed a near 12 per cent decline on the same month a year ago. The foods group, Parmalat, hit by a cheese scare, fell a further L55 to L1,930.

ZURICH, with industrials higher and financials mostly lower, seemed to have resigned itself to the possibility of an interest rate rise in the US as the SMI index rose 9.8 to 3,694.2.

Among industrials, Nestlé rose SFr10 to SFr1,423 on foreign buying ahead of its half-year profits on Friday.

After hours, however, it was reported that CS Investment Research had cut its earnings forecast for Nestlé – from SFr86.50 to SFr84.30 for the current year – because the bank now felt that coffee sales would not meet CS's previous estimate of three per cent volume growth.

AMSTERDAM finished comfortably ahead in spite of some profit-taking. The AEX index was up 0.62 to 562.26.

Nedlloyd continued to advance, adding Fl 1.50 to Fl 47, and Royal-Dutch Shell also made further progress ahead of tomorrow's interim dividend announcement. It closed up Fl 2.40 at Fl 259.50.

Heineken, which puts out it first-half results on Friday, retreated Fl 7.30 to Fl 362.90 on talk of slowing earnings.

MADRID left Repsol Pta20 higher at Pta4,100, but Cepsa, Spain's second biggest oil group, down Pta75 at Pta3,825 after competitive petrol price cuts.

The general index, up 1.25 at 352.14, closed off its intraday highs. Telefónica overturned early gains to close Pta5 lower at Pta2,345, on reports that the group was interested in buying the state's stake in its international unit, TISA; dealers were cautious about the price it might have to pay.

COPENHAGEN hit an all-time high thanks to Wall Street's strength, and to enthusiasm for Danish bank paper. The KFX index rose 1.20 to 121.74 in turnover of DKr1.04bn.

HELSINKI balanced profit taking against news late in the day that SBC Warburg had upgraded Nokia to a buy from a sell. Nokia A rose FM2.50 to FM191 as the Hex index closed 6.58 higher at 2,122.97.

However, Kemira fell FM2 to FM47 after the chemicals group said it planned a new 8m share issue, while the government would lower its stake in the company from 72.3 to 55 per cent.

Written and edited by William Cochrane and Jeffrey Brown

ASIA PACIFIC

Nikkei shrugs off foreign selling with 1.8% gain

Tokyo

The accelerated, overnight rise in US equities gave more lasting encouragement to Japanese investors, and the Nikkei average rallied by 1.8 per cent in spite of foreign selling, *writes Emiko Terazono in Tokyo.*

The 225 index rose 357.32 to 20,559.59 after moving between 20,268.59 and 20,561.09. Overseas investors continued to be net sellers, but domestic institutions picked up shares with favourable earnings prospects.

The Topix index of all first section stocks rose 17.95 to 1,560.23 and the Nikkei 300 gained 3.33 to 290.58. Volume totalled 314m shares against 250m, still relatively low in spite of domestic buying.

Some market participants were anxious ahead of Friday's settlements for September futures and options.

Advances led declines by 875 to 194, with 142 unchanged. In London, the ISE/Nikkei 50 index rose 0.56 to 1,392.97.

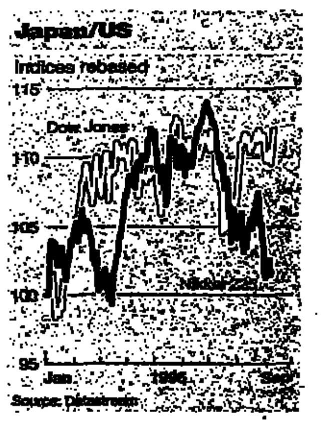
Chemical stocks strengthened following Monday's announcement of a possible merger by Mitsui group companies. Sumitomo Chemical rose Y8 to Y501 and Mitsubishi Chemical gained Y14 to Y490. The two Mitsui companies, suspended on Monday, were mixed. Mitsui Petrochemical fell Y9 to Y756 while Mitsui Toatsu Chemical gained Y9 to Y402.

Pharmaceuticals gained ground on expectations of higher earnings. Sankyo rose Y30 to Y2,730, Takeda Chemical Industries Y50 to Y1,940 and Yamanouchi Pharmaceutical Y40 to Y2,300.

Brokers, which lost ground in early trading following reports of lower than expected earnings for the current year, recouped losses and closed higher.

Daiwa Securities rose Y10 to Y1,250 and Nikko Securities Y30 to Y1,130.

Japan/US



Source: Datastream

Export-oriented car and electrical issues were higher on the weak yen, with Toyota up Y40 at Y2,680, Isuzu Y5 at Y582, Hitachi Y15 at Y1,000 and Toshiba Y8 at Y706.

Retailers fell again, having been hit earlier this week by Daiei's downward revision in earnings due to effects from the E-Coli food poisoning epidemic. Isetan fell Y20 to Y1,500, Marui Y10 to Y2,050 and Ito-Yokado Y10 to Y5,640.

In Osaka, the OSE average rose 198.21 to 21,499.48 in volume of 94.4m shares. Nintendo, the video game maker, fell Y100 to Y6,600.

Roundup

The region, on the day, was less enthusiastic than Tokyo. SYDNEY's All Ordinaries index closed just 5.1 higher at 2,255.9, 11.6 off its best after a highly visible shakeout for BHP.

Analysts had taken a more bearish view of BHP's markets recently. Yesterday, Mr John Prescott, its managing director, spoke about a worsening steel market and said that the copper price remained a challenge. BHP fell 24 cents to A$16.60.

MANILA allied the Dow's gain to relief at peaceful elections in Mindanao, a semi-autonomous Moslem regional government in the southern Philippines. The composite index, 35.38 higher at 3,201.80, ended a five-day losing streak.

HONG KONG's rally ran out of steam as investors reacted to Morgan Stanley's weighting cut for the Hong Kong market. The Hang Seng index closed 11.02 higher at 11,223.62, after 11,334.40. Turnover rose from HK$3.2bn to HK$4.71bn.

SEOUL heard reports that the US semiconductor industry's August book-to-bill ratio would improve. Samsung Electronics and LG Electronics soared by Won3,300 to Won60,300, and by Won800 to Won14,800 respectively as the composite stock index rose 5.66 to 803.04.

WELLINGTON pushed forward on a broad front with the top 40 index gaining 11.55 to 2,243.62 in active turnover of NZ$73.3m.

Telecom New Zealand ended at an all-time closing high of NZ$7.03, up eight cents in good two-way business. Lion Nathan was the odd man out among the leaders, slipping six cents to NZ$3.67 on stock over-hang worries.

BANGKOK continued its decline on political uncertainty and the poor economic outlook. The SET index retreated for the ninth day in succession, falling 4.29 to 982.03.

There was additional negative news from Morgan Stanley, which cut its recommended weighting for Thai stocks.

TAIPEI's hopes for a central bank easing of monetary policy this week showed signs of waning and the weighted index lost 19.67 to 6,415.76.

Shares in plastics groups reacted to an official investigation into possible insider trading. Union Petrochemical lost 40 cents to T$31.40 and USI Far East fell 20 cents to T$31.20.

The duo agreed earlier this week to buy the controlling stakes in Taita Chemical, Asia Polymer and China General Plastics held by BTR, the UK conglomerate.

BOMBAY was disappointed as the Indian finance minister, Mr P. Chidambaram, adhered to a minimum corporate tax proposal. The 30-Share index ended 33.46 down at 3,434.88. Caught up in the general sell-off, Tisco shed Rs3.50 to Rs187.25.

KARACHI stocks fell to a new low for the year as the central bank devalued the rupee by 3.79 per cent against the dollar. The 100-share index declined almost 1.5 per cent, closing off 19.87 at 1,333.14, down 22 per cent since the budget on June 13.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 9 1996								FRIDAY SEPTEMBER 6 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	205.40	1.1	195.20	141.85	159.30	170.54	0.7	4.48	203.14	192.65	140.39	157.20	169.41	212.18	179.77	186.06
Austria (24)	178.63	0.7	169.76	123.19	138.54	138.47	0.9	2.03	177.41	168.25	122.61	137.29	137.22	195.04	168.11	180.56
Belgium (27)	217.55	0.4	206.75	150.03	168.73	164.87	0.6	4.04	216.69	205.51	149.76	167.69	163.82	218.69	187.17	187.91
Brazil (28)	181.44	0.8	172.43	125.13	140.72	340.29	0.9	1.92	180.06	170.77	124.44	139.34	337.26	189.70	123.97	153.29
Canada (117)	162.85	0.0	154.77	112.31	126.30	161.89	0.0	2.24	162.91	154.50	112.59	126.07	161.93	165.12	134.14	147.26
Denmark (30)	320.18	0.4	304.28	220.81	248.32	250.57	0.6	1.83	318.81	302.36	220.34	246.71	249.03	321.04	278.89	281.99
Finland (23)	209.74	1.1	199.32	144.64	162.66	198.92	1.3	2.51	207.36	198.66	143.31	160.46	196.33	276.11	171.73	268.62
France (93)	191.47	0.4	181.96	132.04	148.49	152.99	0.6	3.17	190.69	180.84	131.78	147.56	152.11	198.39	167.70	172.13
Germany (58)	174.79	1.0	166.11	120.54	135.56	135.56	1.2	1.81	173.09	164.16	119.63	133.95	133.96	177.63	155.66	159.43
Hong Kong (59)	429.06	1.5	407.77	295.91	332.78	425.96	1.5	3.48	422.76	400.95	292.18	327.15	419.67	451.19	354.87	367.27
Indonesia (27)	189.66	-0.3	180.24	130.79	147.09	273.18	-0.2	1.74	190.21	180.40	131.46	147.19	273.87	-	-	-
Ireland (16)	289.46	0.0	275.08	199.62	224.49	251.98	0.2	3.49	289.56	274.62	200.12	224.08	251.58	290.82	239.81	239.81
Italy (58)	74.86	0.6	71.14	51.62	58.06	84.31	0.5	2.55	74.40	70.56	51.42	57.58	83.89	84.53	67.22	78.86
Japan (481)	142.17	0.0	135.11	98.05	110.26	98.05	-0.2	0.78	142.14	134.81	98.24	110.00	98.24	164.68	137.75	145.64
Malaysia (107)	548.70	-0.3	521.45	378.41	425.56	528.69	-0.2	1.71	550.35	521.96	380.36	425.89	529.56	585.09	425.77	482.82
Mexico (19)	1277.22	0.6	1213.78	880.81	990.57	10634.09	0.0	1.27	1270.08	1204.56	877.78	982.86	10530.82	1325.85	791.99	1210.91
Netherland (19)	300.82	1.2	285.88	207.46	233.31	229.58	1.4	3.22	297.27	281.94	205.45	230.04	226.41	304.24	249.34	249.34
New Zealand (15)	86.32	0.1	82.04	59.53	66.95	65.89	-0.1	4.16	86.23	81.78	59.59	66.73	65.94	86.61	75.84	77.87
Norway (36)	254.65	0.5	242.00	175.61	197.50	221.37	0.7	2.04	253.28	240.21	175.04	196.00	219.94	256.94	222.24	233.09
Philippines (22)	201.78	0.0	191.78	139.15	156.49	263.61	0.0	0.60	201.77	191.36	139.45	156.14	263.50	-	-	-
Singapore (44)	394.45	0.2	374.86	272.03	305.92	255.65	0.2	1.48	393.76	373.45	272.14	304.71	255.31	465.21	380.49	365.25
South Africa (44)	347.58	1.0	330.32	239.70	269.57	341.45	0.7	2.22	344.23	326.47	237.90	266.38	339.02	437.76	314.20	346.08
Spain (37)	174.74	0.5	166.06	120.50	135.52	166.63	0.6	3.61	173.92	164.95	120.20	134.59	165.71	183.85	145.15	152.09
Sweden (48)	367.26	1.2	349.03	253.29	284.85	361.47	1.2	2.36	362.80	344.08	250.74	280.75	357.25	367.28	294.19	304.48
Switzerland (37)	247.39	0.7	235.10	170.61	191.87	186.56	1.2	1.58	245.75	233.07	169.84	190.17	184.41	254.34	201.73	201.73
Thailand (45)	129.30	-1.6	122.88	89.17	100.28	127.18	-1.6	2.88	131.37	124.59	90.79	101.66	129.25	193.95	129.30	160.20
United Kingdom (200)	246.79	0.3	234.54	170.20	191.40	234.54	0.5	4.07	246.10	233.40	170.09	190.45	233.40	247.51	220.57	222.85
USA (624)	270.51	1.2	257.07	186.55	209.80	270.51	1.2	2.18	267.33	253.53	184.75	206.87	267.33	276.47	233.88	233.86
Americas (788)	247.49	1.1	235.20	170.68	191.94	208.14	1.1	2.17	244.74	232.12	169.15	189.39	205.84	252.43	214.49	214.49
Europe (706)	215.29	0.6	204.60	148.47	166.97	185.66	0.8	3.06	214.04	202.99	147.92	165.63	184.20	216.96	191.44	192.28
Nordic (137)	316.84	1.0	301.10	218.50	245.73	272.33	1.1	2.26	313.64	297.46	216.76	242.71	269.49	318.84	261.13	266.67
Pacific Basin (878)	156.32	0.2	148.56	107.80	121.24	109.71	0.0	1.28	156.05	148.00	107.85	120.76	109.73	177.01	148.86	156.08
Euro-Pacific (1584)	180.76	0.4	171.78	124.66	140.19	138.33	0.4	2.17	180.08	170.79	124.46	139.35	137.81	190.57	166.51	171.06
North America (741)	263.93	1.1	250.82	182.01	204.69	263.31	1.1	2.18	260.98	247.51	180.37	201.96	260.36	269.52	228.52	228.52
Europe Ex. UK (506)	193.56	0.8	183.94	133.48	150.12	157.98	1.0	2.52	192.10	182.19	132.76	148.66	156.48	195.76	170.51	171.75
Pacific Ex. Japan (397)	283.82	0.7	269.72	195.73	220.12	244.04	0.8	3.13	281.74	267.21	194.72	218.03	242.48	295.68	243.59	255.47
World Ex. US (1792)	182.39	0.4	173.33	125.78	141.45	143.16	0.4	2.16	181.70	172.33	125.58	140.61	142.63	191.55	167.38	172.34
World Ex. UK (2216)	206.23	0.8	195.98	142.22	159.94	174.46	0.8	1.97	204.65	194.09	141.44	158.37	173.16	213.05	186.61	188.09
World Ex. Japan (1935)	246.10	0.9	233.88	169.72	190.87	231.98	1.0	2.54	243.88	231.29	168.55	188.72	229.73	247.55	216.73	216.73
The World Index (2416)	209.71	0.7	199.30	144.63	162.65	179.77	0.7	2.17	208.21	197.47	143.90	161.12	178.49	214.95	188.87	191.13

CONSTITUENT CHANGES WITH EFFECT 10/9/96: Name changes: Marriot Corp to Post Marriott Corp (USA) and Waste Management to WMX Technology (USA). Latest prices were unavailable for this edition.